THIRTY-SIXTH BIENNIAL REPORT

FROM THE

OFFICE OF STATE TAX COMMISSIONER
KENT CONRAD

TO THE

Governor and the Office of Management and Budget

STATE OF NORTH DAKOTA

For the Biennial Period July 1, 1981, to June 30, 1983

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NORTH DAKOTA TAX DEPARTMENT
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December 1, 1983

To: The Honorable Allen I. Olson, Governor
Mr. Lee M. Stenehjem, Jr., Director of Office of Management and Budget

It is with great pleasure that I submit for your consideration the Thirty-sixth Biennial Report of the Tax Commissioner.

The report covers the operations of the Office of the Tax Commissioner for the period July 1, 1981, through June 30, 1983, and is submitted pursuant to Sections 54-06-04 and 57-01-02 of the North Dakota Century Code.

Sincerely,

Kent Conrad

Kent Conrad
North Dakota Tax Commissioner

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This report was prepared by Tax Commissioner Kent Conrad with the assistance of staff members Sid Bender, C. William Cudworth, Maureen Gerl, David Haring, and Gretchen Ryan.

SUMMARY OF TAX DEPARTMENT EFFORTS TO IMPROVE SERVICE AND PRODUCTIVITY

The 1981-83 biennium was a time of serious concern and challenge for North Dakota and the State Tax Department. Not since the Depression had the state faced such a critical economic dilemma. Expecting that rising oil prices would bring a continuing increase in oil tax revenues through the end of the 1981-83 biennium, the 1981 Legislature made historic changes in the state's tax structure, only to see the changes complicated by a resession that had an extremely adverse effect on the twin pillars of our state's economy — agriculture and energy.

The recession reminded business and government alike that improving productivity was the key to survival. Following is a summary of the activities undertaken during the 1981-83 biennium by the Tax Department to improve its productivity and enhance the revenues of the state.

RECORD AUDIT RESULTS

In the 1981-83 biennium the Tax Department continued its enviable record in audit assessments. Improved audit selection, increased efficiency of the department's auditing operation, and the uncompensated overtime contributed by Tax Department employees produced record assessments during this two-year period. Corporate income tax auditors assessed $15.1 million in additional taxes in the 1981-83 biennium, while audit activity resulted in $6.2 million in additional oil and gas tax assessments, $3.2 million in individual income tax assessments and $9.8 million in sales tax assessments.

The biennium also brought the largest audit settlement on record for North Dakot as a member of the Multistate Tax Commission. In September, 1982, a check for $700,000 was received by the Tax Department as a result of a single audit. This audit alone provided a 16 to 1 return on the Tax Department's annual share of joint audit costs. The total result from the Multistate Tax Commission audits for the biennium was an additional $1.5 million in assessments.

STATE AUDITOR'S REPORT

In fiscal year 1983, at the end of a two-month-long audit of the Tax Department by the State Auditor's Office, the audit team reported that, in their judgment, the Tax Department is the "best run state agency." This statement is especially significant if one considers that the fiscal operation of the department, which was the focus of the audit, was primarily dependent upon manual systems. The achievement of this kind of efficiency in spite of a continued lack of funding for modern automated systems underscores the dedicated professionalism of the Tax Department Staff.

COMPUTER SYSTEM CHANGES

The Tax Department has engaged in a plan to update and expand its present systems and adopt new techniques in information processing.

A major project has already been completed, that being the design, testing, and implementation of programs for computer processing of monthly sales and energy tax reports.

The present system used in the area of oil and gas taxes is being converted to a data base system which will improve the timeliness and quality of oil and gas tax data through direct access and input capability. By reducing the time required for manual computations and research, a significantly greater number of man-hours can be spent on revenue-generating activity. The same type of system will also be adopted for our corporate income tax files.

In the area of property tax, the Property and Utility Taxes Division, with the help of county auditors, has developed a new tax abstract. The previous tax abstract was not formulated to allow logical computer entry of information. The new abstract will enable the Tax Department to use the computer to develop the property tax statistical report. The new format will facilitate the development of more meaningful statistics relative to property tax shifts and property tax burdens. It will also provide input regarding areas that may require legislative revision.

In addition to these changes there will be an expansion and modernization of information processing systems to take full advantage of data base systems by providing more terminals and more automation. Alternative systems are presently being carefully reviewed.

TAXATION OF MULTISTATE AND MULTINATIONAL CORPORATIONS

During the 1981-83 biennium, Commissioner Conrad continued his efforts to prevent national legislation from threatening the sovereign right of states to determine their own tax policy. The Commissioner has strongly opposed the attempt of the United States Congress to restrict the manner in which states are allowed to tax multinational corporations.

This threat continues into the 1983-85 biennium. Tax Commissioner Conrad has been named to a presidential commission to study state methods of taxing multistate and multinational corporations. Chaired by Treasury Secretary Donald T. Regan, the panel will study the use of the unitary method of corporate taxation, which considers a corporation and its subsidiaries as one unit.

While a recent U.S. Supreme Court decision held that states' use of the unitary method is both fair and constitutional, federal legislation is pending which would restrict the states' rights to use this method. This could cost North Dakota $4 million a year in addition to $6 million to $8 million in audits which are already completed.

SIMPLIFIED, OPTIONAL INCOME TAX SYSTEM FOR INDIVIDUALS

The 1981 Legislature, acting on a concept proposed and supported by the Tax Department, adopted a simplified, optional state income tax system for individual income taxpayers with provisions extending to estate and trust income taxpayers. This optional, short-form method for computing state income tax liabilities took effect in tax year 1981. Under the new system, taxpayers may choose between using the new simplified short form or the standard long form to compute their state income taxes.

The new optional short form not only simplified state income taxes for individual taxpayers; it also provided tax relief for individuals. For tax years 1981 and 1982, those using the short form simply multiplied their federal income tax liabilities, before federal credits, by 7.5 percent to determine their state income tax liabilities. Taxpayers using the optional short form to compute their state income tax liabilities also were granted the energy cost relief credit of up to $100. Approximately 86 percent of all taxpayers paying state income taxes chose the new short form method during the 1981-83 biennium.

INDIVIDUAL INCOME TAX RETURNS PROCESSING

The prevailing economic climate at the start of 1983 mandated that income tax returns be processed as quickly as possible so the state could receive interest on the deposits of those moneys. At the direction of Commissioner Conrad, steps were taken to maximize the productivity of the work force and improve the overall efficiency of the income tax processing operation. By using historical information to project the flow of tax returns, and establishing production standards for the employees, the processing of income tax returns was completed two weeks earlier than ever before. As a result of this extraordinary effort, the North Dakota Tax Department tied with Rhode Island in being the first state in the nation to complete the processing of individual income tax returns.

OVERTIME CONTRIBUTION OF EXEMPT EMPLOYEES

On November 16, 1981, Governor Olson directed that appointive agencies turn back five percent of their operating budgets at the conclusion of the biennium and urgently requested that all other constitutional offices and agencies do the same. Tax Commissioner Kent Conrad met the challenge and devised a plan to provide an even greater contribution to the state's general fund.

Sizeable cuts in the Tax Department operating budget would have meant a reduction in force at the very time the State needed its revenue agency to maximize productivity. Rather than to eliminate positions, the Tax Commissioner requested that each exempt employee donate one hour per week to the State of North Dakota in revenue-producing activities. The employees willingly accepted the opportunity to serve the needs of North Dakota, and exempt employees whose primary responsibilities were not directly related to revenue production also contributed their time in a support capacity.

A staff of 64 exempt employees donated 4,736 hours from January 1, 1982, through June 30, 1983. Their efforts resulted in almost $1 million in additional assessments. This was well over 10 percent of the Tax Department budget. Assessments resulting from the unpaid overtime efforts of exempt employees were: Sales Tax, $347,000; Corporate Income Tax, $251,000; Oil and Gas Taxes, $192,000, and Individual Income Tax, $199,000. This represents a significant contribution by dedicated employees who have a strong commitment to North Dakota and the needs of its citizens.

THE FAIR SHARE PROGRAM

Before the end of the first year of the 1981-83 biennium, it became very clear that the State of North Dakota faced a potentially significant revenue shortfall and a serious cash flow problem. There was a pressing need for additional revenue, combined with innovative fiscal management practices. Before any tax increases were enacted, it seemed only reasonable to adopt programs which would improve the State's cash flow position and maximize the revenue under our present tax structure. Commissioner Conrad believed that taxpayers who voluntarily comply with our tax laws should not be made to bear the burden of tax increases until a program could be adopted to ensure that every taxpayer pays his or her fair share.

Commissioner Conrad submitted a proposal to the 1983 Legislature which would create a "Fair Share" program to enforce compliance by all taxpayers.

Faced with a depressed economy, it was imperative that any new appropriations of the State's limited resources be restricted to those activities which would provide the greatest return to North Dakota. The Tax Department made that commitment with the Fair Share Program. Based on historical data it was determined that an appropriation of $960,000 would generate more than $10,000,000 in revenue for North Dakota. The Legislature agreed that a 10.5 to 1 benefit/cost ratio is an admirable return on an investment, and the Fair Share Program was funded for the 1983-85 biennium. The program, as adopted by the Legislature, consists of 16 positions. Ten of those are audit positions, one is a field tax inspector, and one a tax collections officer. The remaining four positions are comprised of an attorney and three clerks.

The audit positions are in Corporate Income Tax, Oil and Gas Taxes, Sales Tax, and Individual Income Tax. Our Corporate Income Tax auditors will add in-depth field audit capabilities which are badly needed at this time when some multi-jurisdictional corporations are becoming more aggressive in their attempts to minimize state income taxes. Additional sales tax auditors will allow expansion of our very successful out-of-state audit program, as well as increased in-state audit activity. Oil and gas tax auditors will allow more in-depth audit efforts which will contribute significantly to increased compliance with oil and gas tax laws. Additional auditors in individual income tax will enable us to pursue an expanded program to ensure that out-of-state owners of North Dakota royalties are properly reporting and remitting North Dakota income tax. There will also be an in-depth audit program of employers' withholding returns and related records.

A field tax inspector will monitor new businesses, transient merchants making taxable sales, and movement of taxable materials into North Dakota, in addition to providing taxpayer information and assistance. An additional tax collections officer will provide the support required for increased collections activity necessitated by an increase in accounts receivable which we believe will result from additional audits. The attorney will facilitate more timely conclusion of protested audits, and the three clerks will provide clerical support to the new auditors and relieve the professional staff of the burden of clerical functions by handling additional work generated through expanded audit activity.

The time from when the Legislature appropriated the funds for North Dakota's Fair Share Program until the start of the new biennium on July 1, 1983, was scarcely more than two months. This was a very short time to accomplish all those tasks necessary to put a new program of this importance into place. Many of the preparations had to be handled simultaneously, and we did it! The Fair Share Program is now operational. The following paragraphs describe what was required to get the job done.

The first requirement was physical space for the new employees. There was no area in the Tax Department with sufficient unused square footage to handle the requirements of the additional employees. We requested and were assigned the remainder of the space on 16th floor. This gave us the minimum additional space necessary for the increased number of work stations. A plan was developed and implemented which would allow new positions to be placed in the proper work section, while causing the least disruption in organizational relationships. Even so, a number of major moves were necessary. The Individual Income Tax Section was transferred to 16th floor. This was a desirable change because it places the entire Income and Oil Taxes Division on 16th floor. The area vacated on 8th floor now houses Property and Utilities Taxes, Personnel, and Internal Audit. Estate Tax was also transferred to the 8th floor. These moves helped to alleviate some of the serious overcrowding on the 7th floor. The relocation of personnel and equipment had to follow a rigid schedule in order that partitioning, electrical work and phone systems were in place by July 1.

Concurrent with analyzing our space needs, a hiring plan had to be developed. A detailed plan was set out with target dates for each phase of recruitment activities, from the first job announcements to final selections and start dates. Priorities were determined for those positions which must be filled first. Obviously, these must be the audit positions, field tax inspector and the attorney. Selections were made, job offers were extended and new employees began work July 1, 1983.

These individuals have the technical expertise, potential, and the dedication to bring to North Dakota the kind of return on investment the Tax Department has predicted. They are rapidly becoming productive members of our audit staff, and are already working on special assignments to ensure that the department meets its goal in requiring all taxpayers to fulfill their obligations and pay their fair share.

RECLASSIFICATION OF TAX AUDITORS

During the 1981-83 biennium, a giant step was taken toward equity for Tax Department auditors. A comprehensive review of tax auditor positions verified that the dual system, which resulted in tax auditors being classified in grades lower than auditors, was illogical and unfair. The level of accounting expertise required of tax auditors is no less than those who conduct audits for other governmental agencies or public accounting firms. In addition, tax auditing often places the auditor in confrontation situations requiring strong interpersonal skills.

Subsequent to the review, the Tax Department audit positions were reclassified and now are in the same series and within the same pay grades as other auditors in the state classification system. Upgrading of the audit positions allows the department to be competitive in recruitment of new personnel and to ensure that its present auditors have equality with other auditors in state government.

POWERS AND DUTIES OF THE TAX COMMISSIONER

1. Shall perform all the duties enjoined upon him by law;
2. Shall exercise general supervision over all assessors of general property or other taxes, over township, county, and city boards of equalization and over all other assessing officers, in the performance of their duties, to the end that all assessments of property be made relatively just and equal in compliance with the laws of the state;
3. Shall direct actions and prosecutions to be instituted to enforce the laws relating to penalties, liabilities, and punishments of persons, officers of corporations, public officers, and others, for failure or neglect to comply with the provisions of law governing the returns, assessments, and taxation of property, income, or other objects of taxation, cause complaints to be made against officers for neglect or refusal to comply with the law, and generally shall enforce all tax proceedings and revenue laws of the state in the proper courts;
4. May require state's attorneys of the several counties to assist in the commencement and prosecution of actions and proceedings for the violation of any laws in respect to assessment or taxation;
5. May require township, city, county, and other public officers to report information as to the assessment and collections of property and other taxes, receipts from licenses and other sources, the expenditure of public funds for all purposes, and such other information as may be needful in the administration of the tax laws, in such form and upon such blanks as he may prescribe;

6. May summon witnesses to appear and give testimony and produce books, records, papers, and documents relating to any matter which he or the state board of equalization may have authority to investigate or determine, and may cause the depositions of witnesses residing within or without the state, or temporarily absent therefrom, to be taken, upon notice to the interested parties, if any, in like manner as depositions of witnesses are taken in civil actions in district court;

7. May require a reassessment of property in any county to be made in accordance with chapter 57-14, whenever that is deemed necessary, or may require county auditors to place on the assessment rolls property which may be discovered and which has not been taxed according to law.

8. Shall examine carefully all cases where evasions or violations of the laws of assessment and taxation of property or other objects or subjects of taxation are alleged, complained of, or discovered, and shall ascertain wherein existing laws are defective or are administered improperly or negligently;

9. Shall submit to the governor and the department of accounts and purchases as prescribed by section 54-06-04 the biennial report of the commissioner and state board of equalization;

10. Shall visit other states and confer with taxing officials and attend tax or other economic conferences or conventions, in person or by his authorized agent;

11. Shall certify all levies, assessments, equalizations, or valuations made by him or the state board of equalization, not more than thirty days after the same have been made, or at periods otherwise provided by law;

12. Shall have the power to execute reciprocal agreements with the appropriate officials of any other state under which he may waive all or any part of the requirements imposed by the laws or statutes of this state upon those who use or consume in the state of North Dakota, gasoline, other motor vehicle fuel or special fuel upon which the tax has been paid to such other state, provided that the officials of such other state grant the equivalent privileges with respect to gasoline, other motor vehicle fuel or special fuels used in such other state upon which the tax has been paid to the state of North Dakota;

13. May maintain an accounting system which includes a special category of accounts designated as noncurrent accounts. Said noncurrent accounts shall be those accounts which are uncollectible as a matter of law or those accounts where all reasonable collection efforts over a period of six years have produced no results. After examination by the state auditor, and upon his recommendation for cause, specific accounts may be removed by the commissioner from noncurrent status and all reports pertaining thereto immediately destroyed.

Specific duties assigned to the office of State Tax Commissioner are set out in Title 57, N.D.C.C., and in Section 15-40.1-04, N.D.C.C.

MAJOR GOALS AND OBJECTIVES OF THE TAX DEPARTMENT

The primary mission of the Tax Department is to collect tax revenue necessary to fund the operation of state and local government, through the uniform and fair administration of North Dakota's tax laws. Accomplishment of this mandate requires the pursuit and achievement of several distinct goals simultaneously.

The first goal, and one which is essential to effective tax administration, is to obtain voluntary compliance with the tax laws of the State by all taxpayers. Disseminating information about specific tax laws and general tax structure serves to foster compliance; well-informed citizens generally are willing to meet their obligations. The Tax Department issues rules and regulations, guidelines, and instructional booklets. In addition, public meetings are held, and taxpayers receive individual assistance through personal contact, the telephone, and correspondence.

A second goal is to enforce compliance by those who refuse to voluntarily submit tax returns and/or remit taxes due. Compliance activities are carried out by the Department's auditors, compliance officers, field tax inspectors, and tax collections officers, under the procedures set out in Title 57 of the North Dakota Century Code.

Recognizing that the quality of service an agency provides reflects the competence of its personnel, the third goal of the Tax Department is to employ highly qualified, capable men and women and to afford them opportunities for personal and professional growth within the organization.

The fourth goal is effective management of human resources. Within the framework of the Department's broad objectives, individuals are encouraged to apply creativity and initiative in the performance of their responsibilities. In this environment, employees strive to attain self-determined objectives, which results in greater productivity and contributes to organizational achievement.

As a fifth goal, the Tax Department is committed to fiscal responsibility in the use of funds provided by the Legislature. In its efforts to minimize costs while maximizing productivity and quality of taxpayer service, the Department relies on a management system which emphasizes the necessity of realistic measurement of achievements and current reports of problems and progress in meeting the Department's objectives.

Specific goals, objectives, and accomplishments for the 1981-83 biennium will be addressed in the following pages which outline the Tax Department's organizational structure.

FUNCTIONS AND RESPONSIBILITIES OF THE TAX DEPARTMENT'S DIVISIONS

The Tax Department is comprised of six separate divisions. The Commissioner's Division is the administrative nucleus of the department. The Legal Division provides legal advice and counsel to the department and to the State Board of Equalization. The Controller's Division performs accounting functions, provides staff services and collects delinquent taxes. The Sales and Special Taxes Division, Income & Oil Taxes Division and Property Tax Division administer different state taxes under the direction of the Tax Commissioner. The following summaries provide more detailed explanations of the functions and operations of the Tax Department's divisions.

COMMISSIONER'S DIVISION

The Commissioner's Division has ultimate responsibility for the general administration of the department. It also serves as the department's primary research center, coordinates its data processing needs and manages its personnel functions. On July 1, 1981, the start of the 1981-1983 biennium, the division also assumed direct supervisory responsibility for the department's internal audit function.

Directing the division and the Tax Department itself is the Tax Commissioner, the chief administrator of the department and final arbiter of its policies. The commissioner also serves on several administrative boards related to the Tax Department. As secretary to the State Board of Equalization, which certifies tax assessments for public utilities whose properties lie within several taxing districts, the commissioner is responsible for determining the tentative valuation of those properties. The commissioner also oversees regular studies of real estate assessments done by the Tax Department, studies which the State Board of Equalization may use in equalizing property tax assessments between counties and taxing districts.

Further, the Tax Commissioner is a voting member of the Multistate Tax Commission, an organization which enhances, through the mutual cooperation of its member states, the ability of state revenue departments to enforce compliance with tax laws applying to multistate businesses. Tax Commissioner Kent Conrad is currently the chairman of the Multistate Tax Commission. Commissioner Conrad has the distinction of being only the second person to serve two consecutive terms as chairman of the MTC. Commissioner Conrad also served as President of the Midwestern States Association of Tax Administrators for 1983, and is a member of the National Association of Tax Administrators.

Augmenting the commissioner in determining department administrative policy is the Deputy Commissioner. The deputy oversees tax research, data processing coordination, internal audits, implementation of tax policies, development of criteria for effective management, and supervises finalization of tax forms, instructions, and rules and regulations. With the commissioner, the deputy has control over budgeting and fiscal decisions for the department. The deputy assists the commissioner by attending meetings and hearings as the department's liaison with other government and nongovernment organizations.

An integral arm of the Commissioner's Division is the Research and Statistics Section. This section is involved in the preparation of revenue projections and other fiscal analyses. When requested by the Legislative Council, it prepares estimates and projections of fiscal implications of all proposed tax legislation dealing with state revenues. The section also estimates the current and future fiscal impact of all administrative rulings proposed by the Tax Commissioner, maintains files of legislation affecting state finance, and develops and maintains statistics on state tax revenues to provide information and analyses to the commissioner. In addition to its work on revenue projections and fiscal analyses, the Research and Statistics Section also prepares and publishes the biennial report of the Tax Commissioner, statistical reports, and comparative analyses of tax collections.

The workload of the Research and Statistics Section has expanded significantly in recent years, most notably in the areas of revenue projections and fiscal note preparation. Evolving into an ongoing process, revenue forecasting has assumed greater importance than ever before. During the 1981-83 biennium this activity was especially critical as the state's general fund was depleted and policymakers demanded more information on the state's fiscal health. Without question, the growing importance of revenue projections will continue as North Dakota closely monitors its fiscal soundness. Although the Office of Management and Budget has statutory responsibility for the state's official revenue forecasts, the Tax Department is asked to provide input and analyses. The official forecasts issued by the Office of Management and Budget assist the Legislature in finalizing the state budget for the succeeding biennium.

In addition to providing assistance to OMB in the preparation of revenue projections, the Tax Department is responsible for preparing fiscal notes on proposals which affect revenues resulting from the various taxes which the department administers. The responsibility for those fiscal note responses rests with the Research and Statistics Section. In addition to responses which must be prepared during the Legislative Session, the department prepares fiscal note information for the Interim Committee on Finance and Taxation and responds to requests for fiscal information from individual legislators, businesses, and other government agencies. During the 1983 Legislative Session the Tax Department responded to 363 fiscal note requests, an overall increase of 67%. The number of fiscal notes on amendments increased by more than 119%, which indicates the heavy demands placed on the Research and Statistics Section during the Session. To meet those demands with such limited human resources required an extraordinary effort on the part of research personnel and operating divisions.

Another element of the Commissioner's Division is the Data Processing Section, which evaluates data processing requests, retains computer system documentation, and designs, tests, and implements new computer systems. This section also maintains current data processing systems and communicates with all users; develops and monitors physical security measures; reviews security methods and recommends security changes; and controls access to Internal Revenue Service and state data files, data entry input and schedules, and production from computer systems.

The 1981-83 biennium brought many refinements to existing computer programs, including statistical programs and simulation models used in fiscal analyses. Income tax withholding files were converted to data base to allow on-line inquiry and update capability. The individual income tax program was redesigned to accommodate the changes necessitated by the adoption of the new simplified, optional method of filing.

In addition, the 1983 Legislature enacted legislation to require monthly reporting by some sales and all energy tax accounts beginning July 1, 1983. Before those returns and payments could be processed, programs had to be designed, tested, and put into place. This responsibility fell to the Data Processing Section.

The 1983-85 biennium promises to be one of challenge for the Tax Department Data Processing staff. Additional files will be converted to data base, other present systems will be streamlined, and modern information processing equipment will enhance the overall efficiency and productivity of the Tax Department.

Also within the Commissioner's Division is Management Planning and Personnel, which is responsible for recruitment of new employees, operation of the department's training program, and compliance with Equal Employment Opportunity regulations. Management Planning and Personnel also performs job audits and reviews position classifications, maintains employee records, and administers the department's wage and salary plan. Another of its responsibilities is to assist in department-wide planning by aiding each division in establishing objectives for management and determining criteria for the measurement of performance. Management Planning and Personnel also prepares written materials, maintains files, promotes security awareness and reviews department security measures to ensure the Tax Department complies with IRS requirements for safeguarding federally-provided tax information.

Two significant events of the 1981-83 biennium relate to classification and recruitment functions of personnel administration. First, a lengthy classification review of Tax Department audit positions resulted in the reclassification of tax auditors and conversion of those positions to the auditor series. Second, the closing days of the 1981-83 biennium brought the responsibility for recruiting, selecting, and hiring personnel to fill the audit enhancement positions which were authorized by the 1983 Legislature.

Beginning in the 1981-83 biennium, the Commissioner's Division also assumed the department's internal auditing function. Internal auditing previously had been a function within the Accounting Section of the Controller's Division. The internal auditor, who now is supervised by the Deputy Tax Commissioner, conducts audits within the Tax Department to determine compliance with policies and procedures and to monitor the efficiency of all its divisions and sections. Subsequent to an audit, recommendations are offered to improve the operations and effectiveness of the department.

While it is not confined to the Commissioner's Division, another role within the Tax Department is to conduct studies assigned by the commissioner on matters and policies relating to tax administration. Among studies and reports during the 1981-83 biennium was an analysis on the use of MIDA bonds in North Dakota, and a study which focused on the major taxes paid by North Dakotans.

The Tax Commissioner is the public official responsible for administering and implementing changes in tax laws and for issuing, administering and monitoring all policies, rules and regulations related to those laws. A major goal for the 1983-85 biennium is to ensure that the new tax laws and the amendments to existing laws are carried out smoothly.

The Commissioner's Division in the 1981-83 biennium was comprised of 17 full-time positions. New to the division is the internal auditor, while the remaining sixteen include the tax commissioner and deputy commissioner, an administrative officer, a personnel officer and personnel assistant, a research analyst, two data processing coordinators, a data input supervisor, four data input operators, two secretaries and a clerk typist.

LEGAL DIVISION

The Legal Division provides legal advice and counsel to all divisions within the Tax Department and to the State Board of Equalization. The division's attorneys respond to inquiries by the Tax Commissioner, legislators, officials and citizens and prepare opinions on tax questions. They also assist in reviewing and drafting department administrative rules pursuant to the provisions of the Administrative Agencies Practice Act and are responsible for these rules being submitted to the Attorney General for approval and being filed with the Legislative Council.

During the North Dakota legislative session, the legal staff develops and drafts bills for the Tax Commissioner to be presented for consideration by the Legislature. At the end of the legislative session, the legal staff may interpret new or amended laws to aid the department in implementing those laws or assist the commissioner in issuing rules, regulations or policies regarding them.

Other responsibilities of the legal staff are to conduct formal hearings before the commissioner or his designated representative when requested by taxpayers, to prepare written decisions for the commissioner, and to represent the Tax Department and the State Board of Equalization in litigation brought by or against either the department or the board.

During the 1981-83 biennium the Legal Division included five full-time positions: four attorneys and a secretary. An additional Attorney I position was added at the start of the 1983-85 biennium as a part of the audit enhancement program approved by the 1983 Legislature. This position will provide legal support for the additional workload generated by increased audit activity.

In the 1981-83 biennium, the Legal Division handled more than 30 actual court cases that were brought against either the Tax Department or the State Board of Equalization. Also, the Tax Department, on the average, files about 13 legal cases a month against delinquent taxpayers.

CONTROLLER'S DIVISION

The Controller's Division of the Tax Department consists of three sections: Accounting, Accounts Receivable and Staff Services.

Acting as the department's center for business transactions, the Accounting Section prepares the Tax Department's executive budget request and assists with biennial revenue estimates. This section also prepares the department's internal budget, analyzes and forecasts expenditures, and monitors and reports on budget performance. All tax payments made to the department are processed and recorded by this section, which also prepares reports and financial statements for management information and auditing purposes. All records maintained by the Accounting Section are subject to audits by the State Auditor's Office. After the fiscal year 1983 audit of the Tax Department, the audit team stated during the closing conference that, in their judgment, the Tax Department is the "best run state agency." They indicated that they had no recommendations for change, either formal or informal.

Prior to the 1981-83 biennium, the Accounting Section was also responsible for internal audits within the Tax Department. However, on July 1, 1981, the start of the 1981-83 biennium, internal auditing became an administrative function of the Commissioner's Division. A major reason behind the decision to shift the internal auditor to the Commissioner's Division was to allow the internal auditor greater independence in performing his duties. Under the move, the internal auditor now reports directly to the Tax Commissioner or his deputy, rather than to the head of a division which he may be requested to audit.

The Accounts Receivable Section is responsible for collecting delinquent taxes. Delinquent accounts are referred to this section for collection by the division of the Tax Department responsible for administering the tax. Established procedures used for the collection of delinquent taxes include telephone and written communication with taxpayers and the mailing of final notices requesting payment of taxes. If necessary, this section may resort to civil or criminal legal action. It is the policy of the Accounts Receivable Section to initiate legal action only in those cases in which the taxpayer fails to respond to collection attempts. Taxpayers are always given ample notice and opportunity to comply with requests for payment of taxes.

The 1981 Legislature passed legislation which provided uniform penalties for all tax types. This necessitated a review of automated accounts receivable programs and adjustments to those programs to implement the changes in interest rates on unpaid taxes.

The Staff Services Section provides support services for the department. The mailroom receives and fills orders for tax forms, and receives, opens, and initially processes tax returns; the central word processing unit provides a typing and transcription service for all areas of the department, and produces camera-ready copy for tax forms and other printed materials; the central records repository provides a document control system to house tax records and ensure confidentiality of taxpayer information. Centralizing these functions within the Controller's Division increases efficiency in the operation of the entire Tax Department.

In the 1981-83 biennium, the Controller's Division included 31 full-time positions. Those positions include the controller, one accountant, one auditor, five tax collection officers, a tax collection supervisor, three account technicians, one composer technician, a duplicating machine operator, two clerk typists, one secretary, and 14 clerks.

SALES AND SPECIAL TAXES DIVISION

The Sales and Special Taxes Division includes three sections: Sales and Use Tax, Motor Fuels and Miscellaneous Tax, and Estate Tax.

Administering the sales tax is the principal function of the Sales and Use Tax Section, which monitors compliance with the sales tax law and conducts field audits. This section issues sales tax permits, revokes permits of those delinquent in reporting sales, and cancels permits issued to businesses which are no longer operating. When sales tax returns are filed, data from those returns is entered at the Tax Department and processed by computer at Central Data Processing. The section may grant or deny taxpayer requests for exemptions; conduct hearings and negotiate settlements; issue administrative tax rulings; provide guidelines, rules and regulations for retailers and other taxpayers; review compliance with sales and use tax regulations in out-of-state purchases; and inform the public of laws pertaining to sales and use taxes.

During the biennium, the Sales and Use Tax Section implemented an increase in the state's sales and use tax rate and adopted a system for collecting sales and use taxes from the largest accounts on a monthly basis.

In the first twenty-one months of the 1981-83 biennium, North Dakota's state retail sales tax was 3 percent on the purchase price of most commodities, with food being the most notable exception. Farm machinery and irrigation equipment sales were subject to a sales tax of 2 percent during the same period. The 1983 legislature increased the retail sales tax rates to 4 percent and 3 percent respectively, effective April 1, 1983. Sales tax is collected by businesses and remitted to the state. A bill was passed by the 1983 Session which provided for monthly deposits of sales tax collected by larger retailers and allowed those retailers compensation for collecting the tax. This became effective July 1, 1983.

The monthly deposit of sales tax applies only to those retailers whose taxable sales exceeded three hundred thirty-three thousand dollars for the preceding calendar year. Under the new law, the retailer is required to remit monthly estimated payments of 95 percent of the tax due. The retailer may deduct 1.5 percent of the tax due as compensation for administrative costs incurred in monthly reporting with a maximum deduction of $250 for each business location with a sales tax permit. Monthly deposits are due on the 22nd day of the following month and those retailers still are required to file a quarterly return to reconcile the total sales tax due for that period. Implementation of the monthly deposit law required the development of new reporting and remittance forms, adaptations to existing computer systems and a series of contacts with taxpayers affected by the change.

In the 1981-83 biennium, the Sales and Use Tax Section conducted 1,166 field audits of both in-state and out-of-state establishments doing business in North Dakota. Those audits resulted in additional sales tax assessments of $9,813,158, an increase of 76 percent over the previous biennium. Actual settlements of audits totaled $5,781,853, which is an increase of 88 percent from the 1979-81 biennium. In total, 37,499 man hours were involved in the sales tax field audits for the 1981-83 biennium. Based on settlements the return per audit man hour was $154.19. The Sales and Use Tax Section also conducts motor fuels tax audits and motor vehicle excise tax audits. In addition, the field auditors provide income tax assistance throughout the state during the income tax season.

A second arm of the Sales and Special Taxes Division, the Motor Fuels and Miscellaneous Tax Section, is responsible for administering, collecting and auditing fuel taxes, special taxes and miscellaneous taxes.

North Dakota imposes a motor fuels tax on all sales of gasoline. During the 1981-83 biennium the tax was 8 cents per gallon of gasoline. Effective July 1, 1983, this was increased to 13 cents per gallon. Implementation of the new law required revision of the reporting forms, preparation of newsletters, and computer program changes. There is also a special fuels tax on certain other motor fuels, primarily diesel fuel. For the 1981-83 biennium the special fuels tax was 8 cents per gallon if it was for use in licensed vehicles or if sold to public contractors performing public-funded contracts. This tax was also increased to 13 cents effective July 1, 1983. If the special fuels are sold for heating, agricultural, industrial or railroad purposes, the special fuels tax is 2 percent of the purchase price of those fuels. Licensed dealers of gasoline and other motor fuels remit motor fuels taxes, on a monthly basis, to the Motor Fuels and Miscellaneous Tax Section.

This section also administers the motor fuels tax refund program. The refunds apply only to the gasoline tax and to special fuels taxes. Refunds are granted only to certain consumers, namely political subdivisions and farmers and industrial users who use the fuel to which the tax was applied for off-highway purposes, such as agricultural and industrial use other than public-funded contracts.

The motor fuels tax refund law was amended by the 1983 Legislature. Beginning July 1, 1983, the amount of the refund was reduced by a full cent per gallon. This refund reduction applies not only to agricultural users but industrial users as well. The additional 1 cent per gallon withheld from refunds will be used to fund township roads and bridges. Refund program adjustments required the Motor Fuels and Miscellaneous Tax Section to change the design of refund forms and re-adjust computer programming to process claims.

Other fuel taxes administered by this section include an importers-for-use tax collected quarterly from persons importing gasoline or diesel fuel from other states for use in North Dakota, and an aviation fuel tax levied on all sales of aviation gasoline and jet motor fuel. This section also administers the aviation fuel tax refund program.

In addition to fuels taxes, the Motor Fuels and Miscellaneous Tax Section administers several miscellaneous taxes: a copyright tax on gross receipts from all sales, licenses and other depositions of performing rights of music; and a tobacco products tax.

Other functions of this section include interpreting tax regulations and issuing administrative rules; reviewing, issuing and revoking licenses and permits, and responding to taxpayer questions. The Motor Fuels and Miscellaneous Tax Section also requests and reviews field audits by the sales tax field audit staff to determine compliance with tax laws for which it is responsible.

The third arm of the Sales and Special Taxes Division is the Estate Tax Section, which supervises North Dakota's tax on property transferred upon death. Major revisions to North Dakota's estate tax law by the 1979 Legislature considerably eased the complexities faced by this section. Under that legislation, which took effect March 16, 1979, North Dakota's estate tax is entirely contingent on credits which the federal government allows on federal estate taxes. Specifically, the federal government allows a credit for state estate taxes paid, a credit which is applied against the federal estate tax. North Dakota law now provides that its state estate tax will be equal to but no more than the credit allowed on federal estate tax returns. In other words, the estate will pay no more in North Dakota estate tax than it would otherwise pay in additional taxes to the federal government. The 1983 Legislature amended the effective dates to provide compatability with provisions contained in the Economic Recovery Tax Act of 1981.

Under the revised law, the attorney for the estate is required to give the Estate Tax Section a copy of the federal estate tax return, which is verified to assure the federal credit is properly computed. The section also maintains estate tax records, and informs the public about estate tax laws, policies and procedures.

With the transfer of oil and gas taxes to the Income Tax Division (renamed Income & Oil Taxes Division) in the 1981-83 biennium, the staff of the Sales and Special Taxes Division fell to 39 full-time positions. Transferred to the Income Tax Division were two auditors and a clerk. The 39 remaining full-time positions in the Sales and Special Taxes Division included the sales and special taxes director, the supervisor of motor fuels and miscellaneous taxes, two compliance officers, a field inspector, 18 tax auditors and 16 clerks.

INCOME AND OIL TAXES DIVISION

The Income Tax Division became the Income and Oil Taxes Division on July 1, 1981. With the change, the division was responsible for administering the following principal taxes: the state's corporate and individual income tax, the privilege tax on certain financial institutions, the oil and natural gas gross production tax, and the oil extraction tax.

Effective July 1, 1983, the division will be comprised of three sections: Corporate Income Tax, Oil and Gas Taxes, and Individual Income Tax. However, responsibility for administering those taxes during the 1981-83 biennium was divided between two sections: the Corporate Income and Oil Taxes Section and the Individual Income Tax Section. Basically, the responsibilities of the Income and Oil Taxes Division are those common to most operating areas of tax administration. Sections receive and process tax returns, perform audits, conduct cross-checks of federal tax returns with state returns and use other investigative means to identify nonfilers, investigate reasons for nonfiling, and enforce filing requirements. Each section also promulgates tax rules and regulations, issues administrative tax rulings, recommends tax law changes, redesigns tax forms and revises instructions to taxpayers to comply with statutory changes, and monitors litigation.

Taxpayer assistance is also provided by each section. A statewide toll-free telephone service is provided to answer questions and assist taxpayers. Tax clinics are conducted to provide information on policy and legal changes affecting tax forms and filing requirements.

In the 1981-83 biennium, the Corporate Income and Oil Taxes Section was responsible for administering the state's income tax imposed on all corporations doing business in North Dakota. It also administered the state's business privilege tax, as it applied to all corporations and banks, trust companies, and building and loan associations doing business in the state. Further, it was responsible for administering a separate privilege tax, imposed in lieu of a state income tax, on all banks, trust companies, and building and loans doing business in the state.

The Corporate Income and Oil Taxes Section conducts in-office and/or field audits of all corporations. Historically, however, the primary emphasis for field audits has been placed on the large multinational corporations doing business in the state. Because field audits are very time consuming and the size of the section's staff limits the number of audits which it can reasonably conduct, the Corporate Income Tax Section relies, in part, on a program of cooperation with the Multistate Tax Commission to perform field audits.

In the 1981-83 biennium, the Section's auditing staff conducted 35 corporate income and business privilege tax field audits, nearly all of them on out-of-state corporations doing business in North Dakota. Those field audits resulted in over $7.6 million in additional assessments. For the state, the cost-benefit ratio of field audits conducted by the section's staff was 21.5 to 1. That is, for every dollar the state invested in those audits, it received a return of $21.50.

Also in the 1981-83 biennium, field audits conducted by the Multistate Tax Commission resulted in $1.5 million in additional assessments for North Dakota. The state's cost for those audits was $90,000. Thus, North Dakota's rate of return on those audits was $16.65 for every dollar it invested.

The decision to transfer the administration of the oil and gas taxes to the Corporate Income Tax Section of the Income Tax Division was based principally on those taxes becoming major revenue producers for the state. This necessitated a significant increase of auditing, and the type of auditing which historically has been conducted by the Corporate Income Tax Section closely paralleled that required for oil and gas taxes.

In June of 1980, two full-time audit positions were shifted to oil and gas taxes from other audit responsibilities within the Sales and Special Taxes Division. The 1981 Legislature authorized two additional full-time auditing positions for the 1981-83 biennium. During the biennium, the first field audits on oil and gas taxes were conducted. Despite a small staff, assessments resulting from office and field audits as well as cross-checks and compliance reviews exceeded $6.2 million for the biennium.

The number of audit positions dealing with Oil and Gas Taxes was increased by the 1983 Legislature, with five additional auditors authorized for the 1983-85 biennium. Four of the positions were included in the executive budget request, and one is a component of the additional positions contained in the "Fair Share" program.

The additional workload resulting from the increase in importance of oil and gas tax revenues provided the necessity for the creation of a separate section for the administration of oil and gas taxes effective for the 1983-85 biennium.

The Individual Income Tax Section, in the 1979-1981 biennium, was responsible for administering the state's income tax on individuals, estates and trusts. The state's business privilege tax as it applied to all individuals, estates, trusts, and partnerships doing business in North Dakota was repealed for tax years beginning on or after January 1, 1981. However, delinquent privilege tax returns are still being processed.

Data from all individual and fiduciary income tax and business privilege tax returns is entered at the Tax Department and processed at Central Data Processing. The computers generate calculation worksheets which identify any returns requiring additional attention. Returns are reviewed, claims for refunds are verified and additional taxes due are computed and assessed.

The Individual Income Tax Section also performs in-office and field audits. Most audits conducted by this section are in-office, although field audits of employers' records are also conducted to monitor compliance with the state income tax withholding law. Federal audits and in-office audits conducted by this section in the 1981-83 biennium netted more than $3.2 million in additional assessments for individual income taxes.

In the 1981-83 biennium, the staff of the Income and Oil Taxes Division included 30 full-time positions: an income tax director, a corporate income and oil taxes supervisor, an individual income tax supervisor, a compliance officer, 18 tax auditors, and 8 clerks.

The following information summarizes the profound and historic changes in the structure of each of the principal taxes administered by the Income and Oil Taxes Division during the 1981-83 biennium:

OIL AND GAS TAXES:

On July 1, 1981, the Corporate Income Tax Section assumed administration of the state's two-tiered tax structure on oil production: the oil and natural gas gross production tax and the oil extraction tax. The gross production tax, enacted in the 1950s, is a tax of 5 percent of the value of oil and gas at the wellhead. The extraction tax, which took effect January 1, 1981, under an initiated measure passed by voters in November of 1980, is a 6.5 percent tax on the value of oil at the wellhead. The extraction tax is applied against oil only.

The 1981-83 biennium was the first complete biennium of the extraction tax. In 1981 North Dakota saw a dramatic increase in the price and production of oil, with oil and gas taxes becoming the greatest source of revenue collected by the Tax Department.

Both the oil and gas gross production tax and the oil extraction tax were collected quarterly from producers and purchasers during the 1981-83 biennium. However, legislation passed by the 1983 session requires monthly reporting of oil and gas taxes in the 1983-85 biennium. The two taxes are collected and accounted for separately because their revenues, under the law, are distributed differently. For each tax, collections, by county, are certified and then forwarded to the State Treasurer's Office, which is entrusted with the distribution of revenues from each tax.

CORPORATE INCOME TAX:

The 1981 Legislature, in response to an anticipated increase in overall state tax revenues resulting mainly from higher expected oil prices enacted a major reduction in state corporate income taxes. The new corporate tax law which took effect in taxable year 1981, provided substantial tax relief. Under that law, actual tax rate percentages were reduced and the income ranges of the five tax brackets were increased. Beginning in taxable year 1981, the top corporate income tax bracket incurred a tax of $2,390 plus 7 percent of the taxable income over $50,000. Under the old law, the top corporate income tax bracket applied a tax of $1,240 plus 8.5 percent of the taxable income over $25,000. The 1983 Legislature, however, restored the earlier cuts by passing a temporary, three-year rate increase. Beginning in tax year 1983, the top bracket will be taxed at $3,585 plus 10.5 percent of the taxable income over $50,000.

INDIVIDUAL INCOME TAX:

Enactment of the oil extraction tax by the voters and passage of major tax relief programs by the 1981 Legislature meant massive adjustments in the state's individual income tax system, effective for tax year 1981.

First, the initiated oil tax measure included a provision allowing an energy cost relief credit to all individual income taxpayers. The credit, which was allowed annually and first appeared on state income tax forms for tax year 1981, enabled taxpayers to subtract up to $100 from their state income tax liability. The credit was nonrefundable, and could not be carried over from one year to another. The credit was also available to estate and trust income taxpayers. The energy cost relief credit was suspended by the 1983 Legislature, effective for the 1983, 1984, and 1985 tax years.

Second, the 1981 Legislature approved simplified, optional procedures for individual taxpayers to compute their state income tax liabilities. Under this optional, short form method which took effect in tax year 1981, taxpayers multiplied their federal income tax liabilities before credits by 7.5 percent to determine their state income tax liabilities. (This was increased to 10.5 percent by the 1983 Legislature.) Individuals opting to use this short form method were also eligible for an energy cost relief credit of up to $100. Again, estate and trust income taxpayers were allowed the same options.

New legislation approved by the 1981 Legislature also provided substantial tax relief for individuals who computed their state income taxes on standard long forms. Most importantly perhaps, the Legislature updated provisions of the state income tax codes to recognize the Internal Revenue Code as of December 31, 1980. This federalizing of state income tax forms meant a savings for individual taxpayers. Beginning in tax year 1981, personal exemptions increased from $750 to $1000, capital gains exclusions increased from 50 percent to 60 percent, and deductions for individual taxpayers increased from what previous state law allowed.

The 1983 Legislature also increased tax rates, for a three-year period, for those taxpayers using the long form. The top bracket now applies a tax of $3,090 plus 9% of the taxable income over $50,000.

BUSINESS PRIVILEGE TAX:

The business privilege tax, which was enacted in 1970, was intended to replace part of the revenues lost through the repeal of the personal property tax. The tax was applied on all corporations, individuals, estates, trusts, and partnerships, doing business in the state. It was also applied on all banks, trust companies and building and loan associations doing business in the state.

For corporations and individuals, the business privilege tax was a tax of 1 percent on all taxable income. For banks, trust companies and building and loan associations, the business privilege tax was 2 percent on all taxable income.

The 1979 Legislature passed legislation repealing the business privilege tax on corporations, individuals, estates, trusts and partnerships for tax years beginning January 1, 1981. The 2 percent business privilege tax on banks, trust companies and building and loan associations was not repealed, however. Nor did the repeal affect the additional 5 percent privilege tax which is imposed on banks, trust companies and building and loan associations.

For the Tax Department's Corporate and Individual Income Tax Sections, the repeal meant no new business privilege taxes were imposed upon corporations, individuals, estates, trusts or partnerships for any tax years beginning after January 1, 1981. Both sections, however, continue to collect and audit for any delinquent business privilege taxes. In addition, the Corporate Income Tax Section continues to administer both the 2 percent business privilege tax and the 5 percent privilege tax applied against banks, trust companies and building and loan associations.

PROPERTY AND UTILITY TAXES DIVISION

The property tax is a major source of revenue for financing county, city and township government. While local government units have the responsibility of assessing and taxing all classes of real property, the State Tax Department provides assistance to local government units to assure that the property tax is administered equitably throughout the state.

The Property Tax Division, under the direction of the State Supervisor of Assessments, works with local government to maintain equalization of property assessments between the various counties in North Dakota. To assure property tax equalization, the division performs annual sales ratio studies, which compare true and full value of real estate with the sale price of property. If significant assessment variations exist between counties, steps are taken by the State Board of Equalization to equalize those assessments. In addition, personnel from the division investigate individual assessments for the board and make detailed appraisals of complex properties when the owners of those properties have appeared before the State Board requesting a review.

The Homestead Credit and Renter Refund Program is also administered by the Property Tax Division. Under this state-funded program, qualifying senior citizens and totally and permanently disabled persons receive a reduction of their property tax assessment or a partial refund of annual rent paid. The total amount of revenue lost to the counties by this reduction is reimbursed to them from the state general fund.

With the repeal of the personal property tax in 1969, a source of local revenue was lost. To offset that loss, replacement monies from the state general fund are appropriated by the Legislature for distribution among the various political subdivisions, excepting schools. This personal property tax reimbursement program is administered by the Property Tax Division.

The division also conducts seminars for local government officials to improve administration of the property tax and holds property tax appraisal schools for assessors and other local tax officials. Tax statutes are interpreted, legal questions are reviewed and analyzed, and information concerning changes in law or policy affecting property taxation is disseminated. The division acts as the liaison between local property tax administrators and state officials. While it does not directly administer the property tax, the division

between local property tax administrators and state officials. While it does not directly administer the property tax, the division functions as a statistical and informational resource center of communications between all levels of government to maintain efficiency, promote uniformity, and achieve equalization within the property tax system. The recent change in legislative philosophy regarding budgetary control of local taxing districts makes it necessary that the Property and Utility Taxes Division develop maximum levy worksheets for use by the county auditors in determining the total dollar levy allowed each taxing district. Workshops conducted by division personnel provide county auditors with first-hand knowledge of the new procedures that they must use.

Assisting the Tax Commissioner and the State Board of Equalization in making valuations of utility property for property tax purposes is the Utilities Tax Section. Most real property is assessed by local government. However, the property of railroads, airlines, and public utilities such as electric and gas companies, and telephone companies, is assessed at the state level. After the Utilities Tax Section has completed its tentative valuations, the State Board of Equalization sets the final assessed valuations. The section then certifies to each county auditor the value placed on the utility property located within that county, and the tax is administered and collected by the local governments.

Another responsibility of the Utilities Tax Section is administering the state severance tax on coal and the coal conversion privilege tax on electrical generating plants and coal gasification plants. The 1983 Legislature added to the responsibility of the section during the biennium by requiring the implementation of a system to collect the coal taxes monthly, rather than quarterly, effective July 1, 1983. Also effective that date was an increase in the coal conversion tax to .5 mill per kilowatt hour of electricity produced. The section audits reports of collections of these energy-related taxes. The Utilities Tax Section also prepares reports on the collection of these taxes and information for revenue distribution by the State Treasurer's Office, which is responsible for allocating revenue from these taxes between the state, the producing counties, the State Energy Development Impact Office and a permanent Coal Development Trust Fund.

Major changes in property tax laws approved by the 1981 Legislature, as well as new valuation methods based upon the statutes, and adopted by the Tax Department, meant additional functions and objectives for the Property and Utility Taxes Division in the 1981-83 biennium.

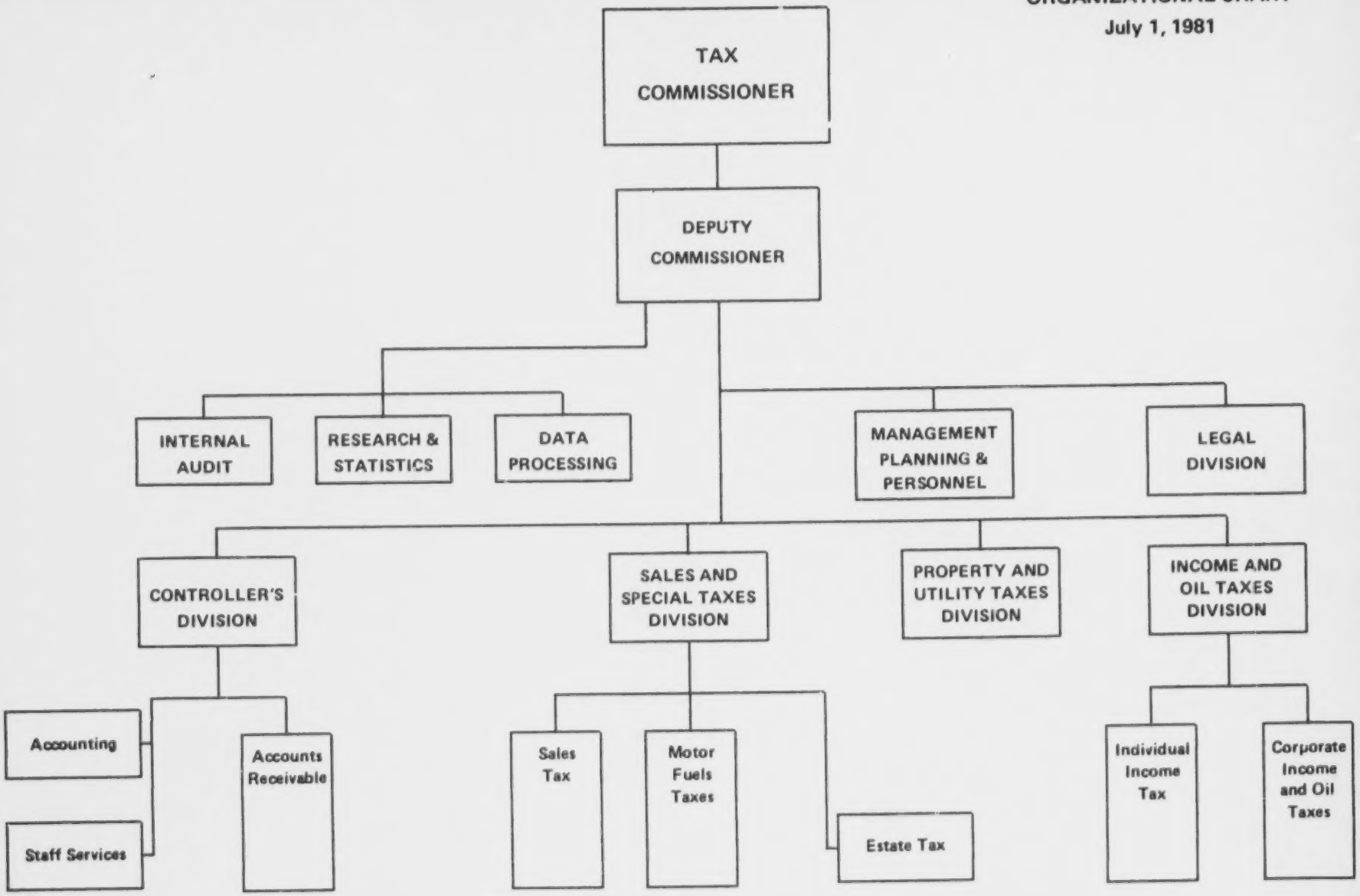
Foremost, the Property and Utility Taxes Division has borne the increased responsibility of monitoring a new property tax system approved by the 1981 Legislature, a system which includes legal, rather than defacto, property classification for assessment purposes and the use of agricultural productivity as a factor in determining the value of farmland. The division also implemented new methods of valuing centrally assessed property, such as railroads and utilities. The new methods of valuing centrally assessed property resulted from an administrative decision of the Tax Commissioner in the 1979-81 biennium and were adopted by the State Board of Equalization.

Also in the 1981-83 biennium, the division assumed the new function of annually certifying to county directors of tax equalization in each of the state's 53 counties the average true and full agricultural value of farmland, as determined by North Dakota State University. Further, the division became increasingly involved in the sales ratio study as a result of new legislation requiring certificates of full consideration paid for property to be forwarded to the State Board of Equalization for processing. The 1983 Legislature added the requirement that a statement of full consideration accompany a request for a title transfer on mobile homes. This study will be done in a manner similar to that used to process the statements of full consideration that are received when conventional housing sells.

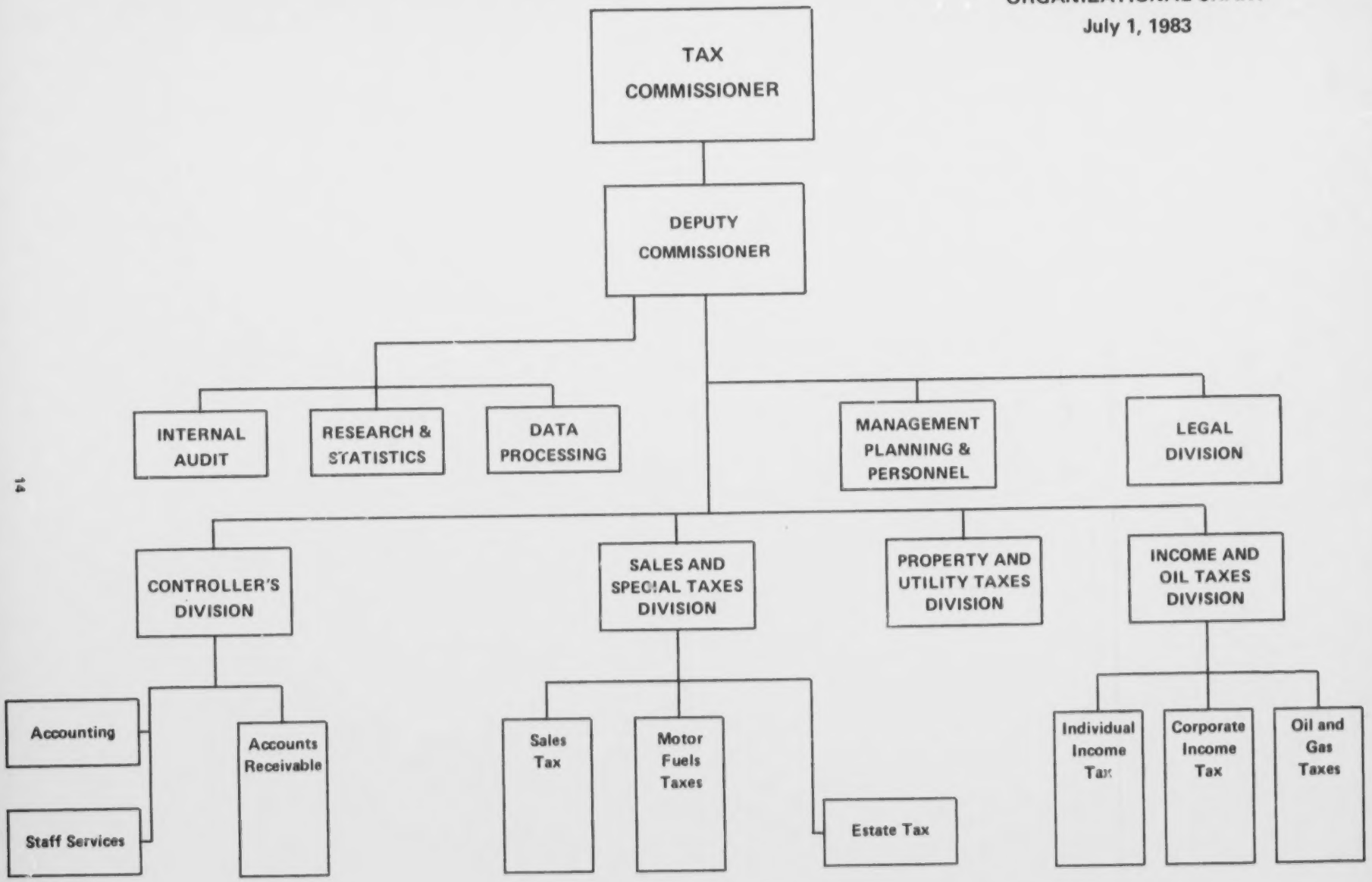
The Property and Utility Taxes Division also was responsible for administering an expanded Homestead Credit Act program in the 1981-83 biennium. As a result of amendments to the Homestead Credit Act approved by the 1981 Legislature, credits were allowed not only against real property tax assessments but against special assessments as well. Beginning January 1, 1982, qualified applicants could apply for the credit against special assessments. Credits allowed for special assessments became a lien on the property. The division has the responsibility for monitoring the liens and for providing a release whenever the liens are satisfied.

The staff of the Property and Utility Taxes Division, in the 1981-83 biennium, included five full-time positions: the state supervisor of assessments and a deputy supervisor, a property tax appraiser, an auditor of public utilities taxes, and a clerk.

NORTH DAKOTA TAX DEPARTMENT
ORGANIZATIONAL CHART
July 1, 1981



NORTH DAKOTA TAX DEPARTMENT
ORGANIZATIONAL CHART
July 1, 1983



FUTURE DIRECTIONS: CHANGES IN THE 1983-85 BIENNIUM

Tax Legislation Enacted in the 1983 Session

The 1983 Legislature enacted legislation which will have a significant impact on North Dakota taxpayers and on the administration of some of North Dakota's principal taxes by the Tax Department during the 1983-85 biennium and in the years beyond. The following information summarizes the major tax-related legislation passed by the 1983 session which affects the Tax Department and the taxpayers it serves.

INDIVIDUAL INCOME TAX:

The Energy Cost Relief Credit (maximum $100) was repealed and income tax rates were increased on both Form 37-S (Short Form) and Form 37 (Long Form) by the 1983 Legislature for three tax years beginning January 1, 1983. The short form rate was increased from 7.5 percent to 10.5 percent. The top rate on the long form is now 9 percent on North Dakota taxable income in excess of $50,000.

Quarterly installment payments of income tax due are repealed for tax years beginning after December 31, 1982. This means that the tax due must be paid in full when the return is filed.

Payment of tax is not required unless the amount is $5.00 or more. Likewise, refunds will not be made if the amount to be refunded is less than $5.00.

Legislation which applies to Form 37 (Long Form) only:

The North Dakota income tax law is now "federalized" through March 11, 1983, with two major exceptions: (1) Only a partial recognition of ACRS (Accelerated Cost Recovery System) is allowed. (2) "Safe harbor" leases are not recognized for State income tax purposes.

Provisions for the "Beginning Farmer" program have also been amended. The term of a qualifying contract for deed has been reduced from 15 years to 10 years. The requirement for a net worth statement from the beginning farmer has been replaced with a certification from the beginning farmer that he meets all requirements of the beginning farmer definition. Furthermore, the definition of half the annual income from farming has been determined to be half of the gross annual income from farming.

The limited deduction for interest received from a North Dakota financial institution has been increased from $200 to $300 on a single return, and from $400 to $600 on a joint return.

The time period for making contributions to certain nonprofit private institutions of higher education and/or secondary education has been extended.

A federalizing date of March 11, 1983, was adopted to allow the same tax treatment for PIK (Payment in Kind) payments for State purposes as that which is allowed for Federal purposes.

A taxpayer filing as a subchapter S corporation for Federal purposes may no longer elect to file as a regular corporation.

Effective for all taxable years beginning after December 31, 1982, taxpayers will be required to file an amended state income tax return when carrying back investment credits for Federal income tax purposes.

CORPORATE INCOME TAX:

All corporate taxpayers whose estimated tax due can reasonably be expected to exceed five thousand dollars are required to make a quarterly declaration of their estimated tax for tax years beginning after December 31, 1983, and to pay at least one-quarter on each of the prescribed dates.

The tax rates for corporations have been increased by fifty percent for each bracket. For a three-year period, beginning with the 1983 tax year, the top bracket will be taxed at $3,585 plus 10.5 percent of the taxable income over $50,000.

OIL AND GAS TAXES:

Oil and gas taxes have been changed from quarterly to monthly payments. The tax on oil is now due and payable on the twenty-fifth day of the month succeeding the month of production, while the tax on gas is due and payable on the fifteenth day of the second month succeeding the month of production.

Separate and distinct producing reservoirs are to be treated as separate properties by producers of oil for gross production and oil extraction tax purposes.

Oil companies are now required to provide royalty owners with an information statement that clearly identifies the amount of oil and/or gas sold and the amount and purpose of each deduction from royalty payments.

The operation of a reclaiming plant must now report all oil reclaimed from tank bottoms, pit oil, and saltwater, and must pay the gross production and oil extraction tax on the oil unless the tax has been previously paid.

SALES AND SPECIAL TAXES:

Retailers whose taxable sales exceeded three hundred thirty-three thousand dollars for the preceding calendar year are required to file and pay monthly estimated payments of 95 percent of tax due. The retailer may deduct 1.5 percent of tax due as compensation for administrative costs relative to monthly reporting, with a maximum deduction of $250 per quarter for each location with a sales tax permit. The monthly deposit requirement applies to fewer than 10 percent of the state's retailers. Those who are required to file monthly estimated payments will continue to file quarterly returns to reconcile deposits with total sales tax due for the quarter.

The 1983 Legislature increased the gasoline tax to 13 cents per gallon, effective July 1, 1983. One cent of the tax is earmarked for the Township Highway Aid Fund. The tax on special fuels used in licensed vehicles or by public contractors was also increased to 13 cents for the 1983-85 biennium.

The tax on gasohol was increased to nine cents per gallon from July 1, 1983, through December, 1983. Beginning January 1, 1984, the rate will be reduced to eight cents per gallon.

The state's cigarette tax increased from 12 cents per package to 18 cents per package effective April 1, 1983. Those packages containing 25 cigarettes are taxed at 22.5 cents per package.

COAL CONVERSION TAX:

North Dakota's coal conversion tax was increased from .25 mill to .50 mill per kilowatt hour of electricity produced effective July 1, 1983. The additional .25 mill will be deposited in the state general fund.

The coal conversion tax and coal severance tax will now be collected on a monthly basis, with payments due on the 25th day of the month following the month of production.

TAX COLLECTIONS IN THE 1981-83 BIENNIUM

The following pages contain several tables on tax collections by the North Dakota Tax Department in the 1981-83 biennium. An analysis of gross tax collections for the biennium reveals several major themes. As expected, taxes on oil and natural gas production assumed a dominant position among taxes collected by the Tax Department. The rise in collections of oil and gas taxes resulted in an increase, for the second consecutive biennium, in total gross tax collections by the Tax Department. However, the growth in revenues of all tax types administered by the Tax Department was tempered during the biennium by the worldwide recession which adversely affected North Dakota's primary industries of agriculture and energy.

Total gross collections by the Tax Department in the 1981-83 biennium reached $956.1 million, an increase of over $227 million from the 1979-81 biennium's total gross collections of $728.7 million. That represents an increase of 31.2%, nearly matching the 31.4% increase from the 1977-79 biennium to the 1979-81 biennium, and well above the 9.9% increase from the 1975-77 biennium to the 1977-79 biennium.

Accounting for almost all of the $227 million increase in total gross collections in the 1981-83 biennium was the rise in gross collections of oil and gas taxes. In fact, excluding the oil and gas taxes, Tax Department gross collections increased just 1.4% during the biennium. In the 1981-83 biennium, gross collections of oil and gas taxes totaled $336.0 million, an increase of $218.8 million from the $117.2 million collected in 1979-81. Gross collections of oil and gas taxes stood at only $24.3 million in the 1977-79 biennium.

The most important factor leading to the rise in oil and gas tax collections during the 1981-83 biennium was the new oil extraction tax which took effect January 1, 1981. The oil extraction tax added $176.3 million to the Tax Department's total gross collections during 1981-83. Just $23.7 million had been collected from the new tax during the previous biennium.

Oil and gas tax collections were also pushed higher by increasing oil production during the biennium. Daily oil production in March 1983, the last production month of the biennium, was 143,000 barrels. That was more than double the average daily production in the same month just five years earlier.

In addition, oil prices at the beginning of the 1981-83 biennium were still quite close to the peak reached during 1980 after the federal government lifted federal price controls on domestically produced oil and oil prices skyrocketed on world markets. By the end of the 1981-83 biennium, however, the field price for oil in North Dakota had dropped to $30 per barrel, compared to the 1980 high of $39.50 per barrel.

Gross collections of the oil and gas gross production tax increased during the 1981-83 biennium to $159.7 million, up $66.1 million from the $93.6 million collected in 1979-81. The increase in oil and gas gross production tax revenues reveals the true extent of the impact of high oil prices and higher production on state revenues for the biennium.

Increases in gross collections of other Tax Department tax types were partly offset by a decrease in gross collections of income taxes.

Gross sales tax collections in the 1981-83 biennium totaled $260.4 million, an increase of $35.5 million, or 15.8%, from gross sales tax collections in the 1979-81 biennium of $224.8 million. Gross collections of motor vehicle fuels and special fuels taxes totaled $91.7 million, up 4.7% or $4.2 million from the $87.6 million collected in the previous biennium. Coal severance tax gross collections totaled $35.2 million during the 1981-83 biennium, up 17.1% or $5.1 million from the $30.1 million collected in the previous biennium. Motor vehicle excise and use taxes increased to $33 million during the 1981-83 biennium, an increase of 14.8% or $4.3 million from the $28.7 million collected during 1979-81.

Income tax gross collections fell by $30 million during the 1981-83 biennium to $157 million, a decline of 16.1% from the $187 million collected in the 1979-81 biennium. The decline in income tax collections can be attributed to the adoption of the energy cost relief credit for all individual income tax payers and individual and corporate income tax rate reductions passed by the 1981 Legislature. Without those changes, the Tax Department probably would have experienced an increase in income tax collections during the biennium.

While total gross collections increased dramatically from the 1979-81 biennium to the 1981-83 biennium, the effect of the recession was widespread and fairly extreme. Despite a 31.2% increase in total Tax Department gross collections for the biennium, gross collections actually decreased by 2.6% from the first year of the biennium to the second year of the biennium. Gross collections in fiscal year 1982 totaled $484.3 million, and in fiscal year 1983 gross collections totaled $471.8 million, for a decline of $12.5 million.

Of the major Tax Department tax types, the sales tax, oil and gas gross production tax, oil extraction tax, income tax, and fuel taxes all experienced declines in gross collections from fiscal year 1982 to fiscal year 1983. Gross collections increased slightly for the coal severance tax, motor vehicle excise and use taxes, and cigarette and tobacco taxes.

Historically, sales taxes have been ranked as the number one source of gross tax collections by the Tax Department and income taxes have been ranked number two. As expected, however, oil and gas taxes became the number one source of gross tax collections by the Tax Department in the 1981-83 biennium.

Again, the reasons that oil and gas taxes became the number one source of Tax Department collections are: the adoption of an initiated measure in 1980 creating the new oil extraction tax, dramatic increases in the price of oil on worldwide markets in recent years, and a doubling of oil production in North Dakota. It should be noted that even though oil and gas taxes provided the Tax Department with its greatest source of gross tax collections, the sales tax continues to be the primary source of revenue for the State General Fund. For a breakdown of 1981-83 State General Fund revenue resources, the reader can turn to the table on the following pages entitled "State General Fund Revenues and Expenditures."

Sales taxes fell to the number two position among the sources of gross tax collections by the Tax Department during the 1981-83 biennium. Gross collections of sales taxes represented 27.2% of the Tax Department's total tax collections, down from the 30.9% in the 1979-81 biennium. Gross collections of income tax accounted for 16.4% of the department's total tax collections, down from 25.7% in the 1979-81 biennium. That dropped income taxes to the number three position among the Tax Department's tax types. By comparison, oil and gas taxes accounted for 35.1% of the department's total tax collections during 1981-83, up from the 16.1% accounted for by oil taxes the previous biennium. Taken separately, the oil extraction tax accounted for 18.4% and the oil and gas gross production tax accounted for 16.7% of the Tax Department's gross collections during the 1981-83 biennium, each behind the 27.2% accounted for by the sales tax.

Holding the number four position for the second consecutive biennium, motor vehicle fuel and special fuels taxes represented 9.6% of the department's gross tax collections in the 1981-83 biennium.

Again occupying the number five slot, coal severance taxes accounted for 3.7% of the Tax Department gross collections for the 1981-83 biennium. Staying at number six, the motor vehicle excise and use taxes accounted for 3.4% of Tax Department collections.

Historically, the North Dakota Tax Department has had one of the best cost vs. return ratios of any state revenue department in the nation. Its cost-return ratio in the 1981-83 biennium was better than ever, up over 3% from the previous biennium. During 1981-83, Tax Department expenditures totaled $7,633,409.64, compared to total gross tax collections of $956,134,537.72. That means that for every dollar the Tax Department spent, it collected over $125. Viewed another way, it means that the Tax Department spent less than one penny – just eight-tenths of a cent -- for every dollar it collected.

NORTH DAKOTA STATE TAX DEPARTMENT
GROSS MONTHLY COLLECTIONS BY TAX COMMISSIONER
JULY 1, 1981 - JUNE 30, 1983

	Sales and Use Tax	Income Tax[1]	Cig. Tax & Tobacco Tax	Gross Production Tax	Oil Extraction Tax	Coal Severance	M.V. Use Tax (MVF)	M.V. Excise & Use Tax (GF)	Estate Tax	Coal Conversion & Transmission Lines Tax	M.V. Fuel Tax	Special Fuel Tax	Bus. & Corp. Priv. Tax	Miscellaneous[2]	Totals
July, 1981	$ 7,287,006.10	$ 4,160,742.93	$ 925,888.94	$ 144,102.09	$ 27,650.96	$ 1,285,554.06	$ 129,379.06	$ 1,343,110.28	$ 456,328.48	$ 183,951.50	$ 3,402,289.32	$ 1,762,099.59	$ 340,166.73	$ 3,637.58	$ 21,451,907.62
August	23,592,573.15	4,516,740.05	801,802.24	20,490,492.73	23,107,160.46	2,848,181.37	101,897.41	1,118,341.64	217,227.87	615,546.33	2,541,247.61	1,333,310.68	284,518.74	12,272.31	81,581,312.59
September	1,126,937.00	10,806,957.45	845,199.82	136,060.62	228,768.20	.00	154,813.60	1,376,156.65	176,126.63	.00	2,454,756.07	934,190.14	1,385,752.31	1,598.78	19,627,317.27
October	6,352,925.46	10,703,970.50	824,950.72	51,499.66	70,604.23	56,292.18	108,040.80	1,290,927.64	456,993.01	.00	3,677,369.48	1,923,343.30	1,165,971.17	6,469.97	26,688,358.12
November	27,709,229.82	4,763,091.52	711,992.50	19,904,459.56	22,444,578.61	4,289,143.15	102,394.42	1,388,732.95	232,869.81	820,993.86	1,355,986.19	825,089.29	250,789.11	73,073.67	84,873,404.46
December	1,175,813.33	2,409,761.60	911,513.30	122,477.94	129,499.03	.00	79,147.58	953,850.46	223,290.36	.00	3,932,524.49	2,148,453.43	402,889.84	714.76	12,489,736.12
January, 1982	5,731,355.15	5,816,801.66	735,603.70	67,118.80	4,123.86	6,889.58	100,965.54	1,289,870.81	173,374.05	303,837.00	1,893,946.23	1,176,954.59	209,709.65	5,101.35	17,515,651.97
February	30,224,929.41	5,696,135.49	771,917.58	20,050,343.54	22,414,396.46	4,616,467.10	71,711.83	1,044,574.23	254,308.24	680,318.38	1,534,857.85	1,087,115.44	234,889.64	61,397.43	88,743,362.65
March	1,118,217.30	4,840,909.75	737,501.36	159,601.40	202,270.55	.00	75,353.56	831,603.90	178,040.37	.00	2,991,050.21	1,946,791.97	423,425.17	402.02	13,505,167.56
April	4,864,667.56	15,815,299.82	807,194.77	211,947.50	278,771.03	1,319,674.00	122,434.08	1,414,156.89	143,289.82	396,397.75	2,115,308.38	1,167,195.17	900,908.40	32,735.09	29,589,980.26
May	20,533,959.23	7,100,727.14	729,714.37	18,311,198.66	20,182,941.31	3,039,068.07	114,577.51	1,366,852.67	296,119.81	664,630.65	1,642,634.05	864,212.92	101,899.24	95,433.33	75,043,768.96
June	997,900.72	4,432,999.49	920,669.31	258,575.55	226,413.17	.00	109,907.40	1,529,656.72	296,333.59	322,204.50	2,496,764.31	1,221,773.31	361,738.37	3,067.96	13,178,004.42
FY 81-82 TOTALS	$130,715,314.23	$81,064,137.40	$9,723,948.61	$79,907,878.05	$89,317,177.88	$17,460,269.51	$1,271,622.79	$14,947,834.84	$3,104,302.04	$3,987,879.97	$30,038,734.19	$16,390,509.83	$6,062,458.37	$295,904.27	$494,287,971.98
July, 1982	$ 6,199,044.08	$ 3,963,578.43	$ 951,369.67	$ 122,142.60	$ 39,747.78	$ 7,760.00	$ 96,805.13	$ 1,314,911.83	$ 181,920.50	$ 347,385.25	$ 3,680,185.63	$ 1,896,100.61	$ 156,775.94	$ 15,370.53	$ 18,973,097.98
August	24,365,026.44	4,457,571.67	923,322.23	18,248,664.08	20,184,176.43	3,893,617.43	86,788.64	1,199,895.74	231,558.32	444,641.80	2,431,376.90	1,100,518.80	120,891.41	103,617.00	77,791,666.89
September	879,745.55	9,230,506.91	820,662.59	318,833.44	334,603.91	46,435.00	77,866.98	1,206,435.90	135,972.57	.00	3,090,877.35	1,200,864.10	70,238.34	1,558.13	17,414,800.77
October	5,087,181.56	8,985,973.12	809,628.23	31,288.12	18,968.52	.00	79,747.35	1,347,078.58	286,270.53	272,704.50	2,614,836.30	1,347,657.78	88,108.30	24,115.42	20,993,558.31
November	30,368,952.39	4,106,327.32	651,005.66	19,536,216.01	21,345,380.51	4,580,958.39	84,141.97	1,349,979.77	244,215.14	649,924.80	1,517,391.71	790,172.84	65,612.92	151,944.97	85,442,224.40
December	978,179.24	1,940,469.80	998,100.87	45,847.42	49,032.96	.00	72,432.57	1,193,088.85	215,629.33	.00	3,805,325.97	1,871,670.43	50,759.06	2,760.39	11,223,296.89
January, 1983	6,122,556.45	6,044,905.39	760,508.77	83,219.42	89,973.77	50,626.25	73,746.39	1,277,028.03	275,991.63	341,743.75	2,318,747.35	1,409,864.55	33,292.49	17,926.80	18,900,131.04
February	28,679,106.34	5,296,448.58	497,751.75	20,784,896.84	22,720,414.78	4,753,479.04	78,386.26	1,286,855.41	185,414.71	611,690.06	1,015,304.13	562,671.01	104,839.40	106,867.49	86,684,125.80
March	697,764.46	4,439,609.02	755,243.13	180,764.96	231,750.52	.00	60,807.48	943,720.71	151,588.15	.00	2,606,601.88	1,258,917.26	446,933.16	10,093.89	11,783,794.62
April	3,481,121.70	17,381,372.13	1,232,882.08	202,335.98	207,782.19	.00	86,057.48	1,248,789.07	143,980.58	320,336.25	2,322,141.08	962,627.60	472,530.99	32,518.46	28,095,375.59
May	22,017,908.10	5,324,213.51	885,175.70	19,999,473.97	21,667,576.93	4,413,278.09	88,272.60	1,641,651.26	393,202.65	714,515.15	2,156,081.58	1,056,897.61	304,785.83	120,800.32	80,783,833.30
June	768,751.53	4,709,489.00	1,206,988.58	210,589.54	127,549.19	.00	105,343.04	1,730,359.58	239,370.36	322,062.75	2,923,907.01	1,360,946.56	54,185.10	11,317.91	13,760,860.15
FY 82-83 TOTALS	$129,645,337.84	$75,880,464.88	$10,492,639.26	$79,764,272.38	$87,016,957.49	$17,746,154.20	$ 991,295.89	$15,739,794.73	$2,685,114.47	$4,025,004.31	$30,482,776.89	$14,808,909.15	$1,968,952.94	$598,891.31	$471,846,565.74
1981-83 BIENNIUM TOTALS	$260,360,652.07	$156,944,602.28	$20,216,587.87	$159,672,150.43	$176,334,135.37	$35,206,423.71	$2,262,918.68	$30,687,629.57	$5,789,416.51	$8,012,884.28	$60,521,511.08	$31,199,418.98	$8,031,411.31	$894,795.58	$966,134,537.72

[1]The income tax collections for fiscal year ended June 30, 1982, includes $1,300.54 in Vietnam Bonus Surtax Collections. For fiscal year ended June 30, 1983, $523.67 was collected in Vietnam Bonus Surtax.

[2]Includes sales and use tax cash bonds, music and composition, city occupancy tax, motor fuel license fees, motor fuel tax cash bond, and miscellaneous remittances.

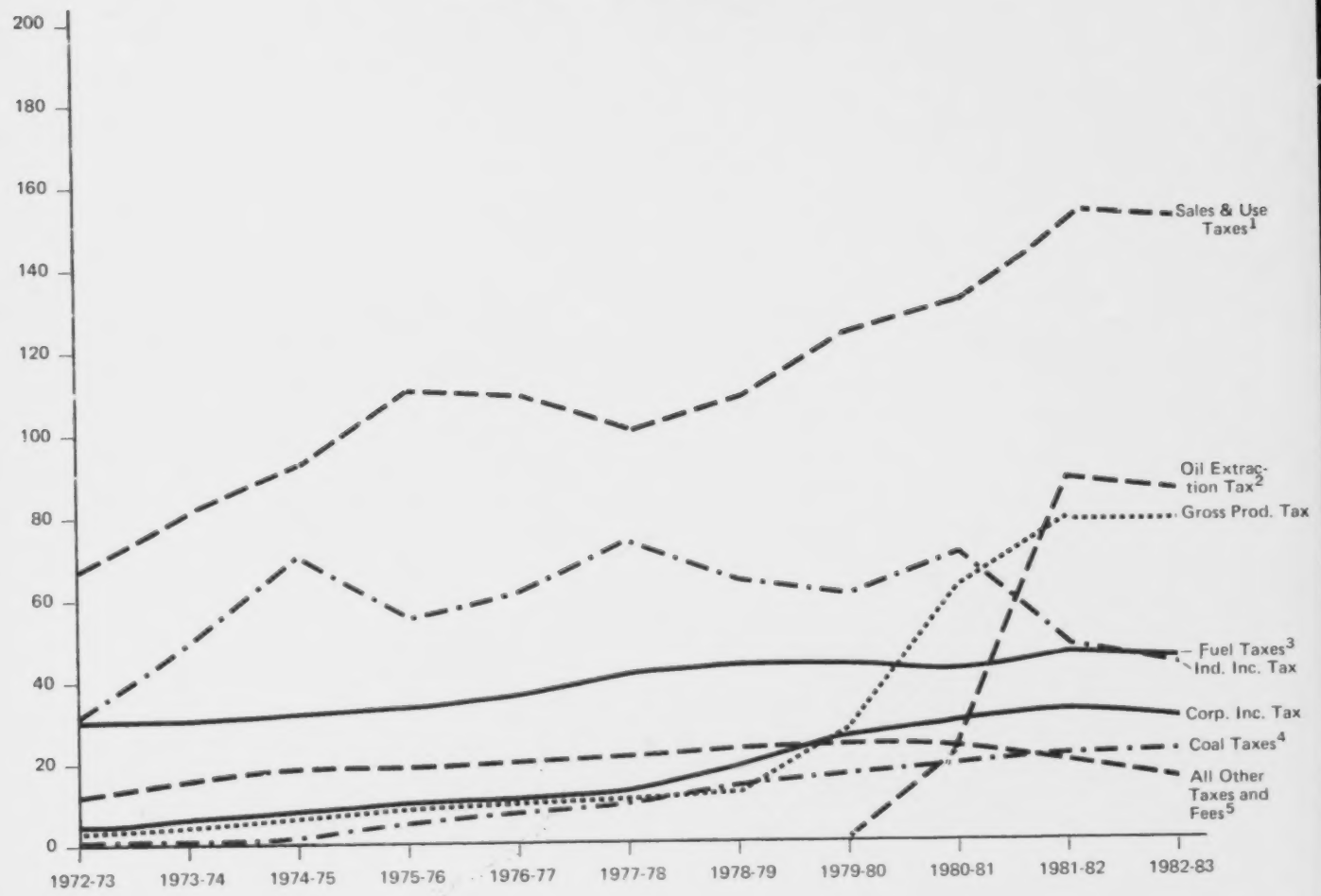
SOURCE: Comparative Statement of Collections, North Dakota State Tax Department.
Motor Vehicle Fuel and Special Fuel Tax data from Motor Fuels Section.

NORTH DAKOTA STATE TAX DEPARTMENT
COMPARATIVE STATEMENT OF CHANGES IN COLLECTION DATA
FOR THE BIENNIUM ENDING 6-30-83

Description	1981-82 Gross Collections	1981-82 Refunds	1981-82 Net Collections	1982-1983 Gross Collections	1982-1983 Refunds	1982-1983 Net Collections	Net Increase (Decrease)	% Increase (Decrease)
Sales & Use Tax	$130,715,314.23	$ 901,415.85	$129,813,898.38	$129,645,337.84	$ 177,558.94	$129,467,778.90	$ (346,119.48)	(.3)
Motor Vehicle Use Tax (50% GF)	1,271,622.74	0.00	1,271,622.74	991,295.82	0.00	991,295.82	(280,326.92)	(22.0)
Motor Vehicle Excise Tax	13,676,212.10	151,426.34	13,524,785.76	14,748,498.91	80,125.99	14,668,372.92	1,143,587.16	8.5
Income Tax:								
Ind. & Withholding Inc.	47,291,065.84	11,950,000.00*	35,341,065.84	44,760,877.03	9,625,000.00*	35,135,877.03	(205,188.81)	(.6)
Corporate Income	33,771,771.02	1,750,000.00*	32,021,771.02	31,119,064.18	2,050,000.00*	29,069,064.18	(2,952,706.84)	(9.2)
Business & Corp. Priv. Tax	6,062,458.37	350,000.00*	5,712,458.37	1,968,952.94	468,000.00*	1,500,952.94	(4,211,505.43)	(73.7)
Cigarette Tax (Cities)	2,360,090.97	0.00	2,360,090.97	2,258,061.02	0.00	2,258,061.02	(102,029.95)	(4.3)
Cigarette Tax (GF)	7,080,272.09	0.00	7,080,272.09	7,930,364.05	0.00	7,930,364.05	850,091.96	12.0
Tobacco Tax	283,585.55	0.00	283,585.55	304,214.19	0.00	304,214.19	20,628.64	7.3
Gross Production Tax	79,907,878.05	113,390.51	79,794,487.54	79,764,272.38	49,128.14	79,715,144.24	(79,343.30)	(.1)
Oil Extraction Tax	89,317,177.88	175,931.53	89,141,246.35	87,016,957.49	64,510.70	86,952,446.79	(2,188,799.56)	(2.5)
Coal Severance Tax	17,460,269.51	0.00	17,460,269.51	17,746,154.20	0.00	17,746,154.20	285,884.69	1.6
Motor Vehicle Use Tax (50% MVF)	1,271,622.79	0.00	1,271,622.79	991,295.89	0.00	991,295.89	(280,326.90)	(22.0)
Estate Tax	3,104,302.04	0.00	3,104,302.04	2,685,114.47	0.00	2,685,114.47	(419,187.57)	(13.5)
Miscellaneous Remittances	1,879.04	0.00	1,879.04	1,421.83	0.00	1,421.83	(457.21)	(24.3)
Priv. Tax on Coal Conv. Fac.	3,665,675.47	0.00	3,665,675.47	3,702,941.56	0.00	3,702,941.56	37,266.09	1.0
Transmission Line Tax	322,204.50	0.00	322,204.50	322,062.75	0.00	322,062.75	(141.75)	(.04)
Music & Composition Tax	24,149.96	0.00	24,149.96	25,978.34	0.00	25,978.34	1,828.38	7.6
Sales & Use Cash Bonds	11,900.00	14,425.00	(2,525.00)	39,850.00	10,950.00	28,900.00	31,425.00	1,244.6
City Occupancy Tax	257,733.27	0.00	257,733.27	530,381.14	0.00	530,381.14	272,647.87	105.8
Fuel Dealers Fee	242.00	0.00	242.00	1,260.00	0.00	1,260.00	1,018.00	420.7
M.V. Fuel Tax	30,038,734.19	3,277,373.76*	26,761,360.43	30,482,776.89	2,800,000.00*	27,682,776.89	921,416.46	3.4
Special Fuel Tax	16,390,509.83	775,000.00*	15,615,509.83	14,808,909.15	775,000.00*	14,033,909.15	(1,581,600.68)	(10.1)
Motor Fuel Tax – Cash Bond Fund	0.00	8,400.00	(8,400.00)	0.00	600.00	(600.00)	7,800.00	92.9
Vietnam Bonus Surtax	1,300.54	0.00	1,300.54	523.67	0.00	523.67	(776.87)	(59.7)
Undistributed Inc. Tax & Vietnam Bonus Surtax Collections	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0
Total Collections	$484,287,971.98	$19,467,362.99	$464,820,608.99	$471,846,565.74	$16,100,873.77	$455,745,691.97	($9,074,917.02)	(2.0)

*Represents amounts transferred to refund reserve – not actual refunds.

NORTH DAKOTA STATE TAX DEPARTMENT
TRENDS IN GROSS COLLECTIONS
For the Fiscal Years Ending June 30, 1973 to 1983



SOURCE: North Dakota State Tax Department Biennial Reports, Gross Monthly Collections by Tax Commissioner.

[1]Includes sales and use tax and motor vehicle excise and use taxes.

[2]The oil extraction tax went into effect on January 1, 1981, and one quarter of revenue was collected in FY 1981.

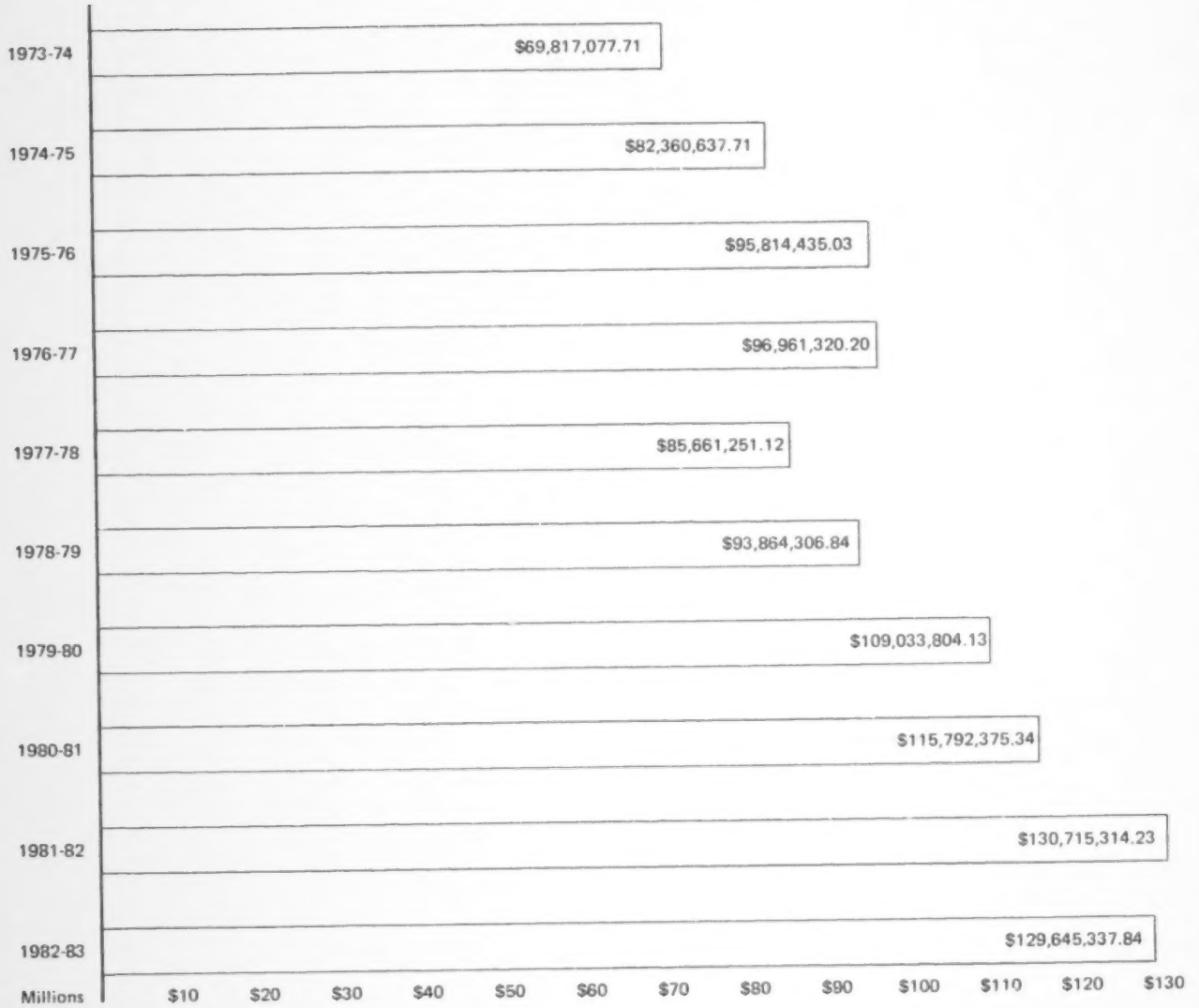
[3]Includes motor vehicle fuel and special fuel taxes.

[4]Includes coal severance tax, coal conversion facilities privilege tax and transmission lines tax.

[5]Includes cigarette tax, tobacco tax, estate tax, business and corporation privilege tax, music and composition tax, city occupancy tax, sales and use tax and motor fuel tax cash bonds, motor fuel license fees, and miscellaneous remittances.

NOTE: For historical information on each of the indivudal tax types, see the tables and narrative provided in this biennial report on each of the various taxes collected by the Tax Department.

NORTH DAKOTA STATE TAX DEPARTMENT
SALES AND USE TAX GROSS GENERAL FUND COLLECTIONS
During Fiscal Years Ended June 30, 1974 to 1983



NOTE: On July 1, 1973, the base was reduced by exempting food and food products for human consumption off the premises where purchased. This exemption extends primarily to groceries.

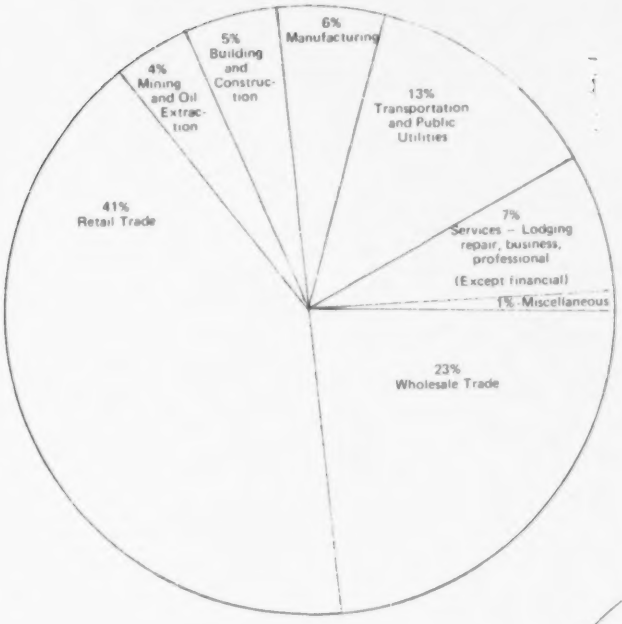
On January 1, 1977, the 4% tax was reduced to 3%; the tax on farm machinery and irrigation equipment was reduced from 4% to 2%; and the 4% tax on electricity was eliminated.

On July 1, 1981, sales of water and used mobile homes were exempted from the sales tax.

Figures do not include the Motor Vehicle Use Tax or the Motor Vehicle Excise Tax.

SOURCE: Comparative Statement of Collections, North Dakota State Tax Department.

NORTH DAKOTA STATE TAX DEPARTMENT
STATEWIDE SALES AND USE TAX STATISTICS BY BUSINESS CLASSIFICATION


6% Manufacturing
5% Building and Construction
4% Mining and Oil Extraction
13% Transportation and Public Utilities
41% Retail Trade
7% Services – Lodging repair, business, professional (Except financial)
1% Miscellaneous
23% Wholesale Trade

SALES AND USE TAX COLLECTIONS
PERCENTAGE BY MAJOR BUSINESS CLASSIFICATIONS
Calendar Year 1982 Collection Period

10% Eating and Drinking Establishments
10% Miscellaneous Retail Stores
13% General Merchandise Store
7% Automotive Dealers and Service Stations
9% Retail Building Materials and Garden Supplies
5% Furniture, Appliances and Home Furnishings
5% Apparel and Accessory Stores
20% Wholesale Trade Durable Goods
10% Wholesale Trade Nondurable Goods
4% Food Stores
7% Farm Machinery and Irrigation Equipment

SALES AND USE TAX COLLECTIONS
PERCENTAGE BREAKDOWN OF
WHOLESALE AND RETAIL TRADE SECTORS
Calendar Year 1982 Collection Period

SOURCE: 1982 Annual North Dakota Sales and Use Tax Statistical Report and North Dakota Tax Department TX-1188 Records.

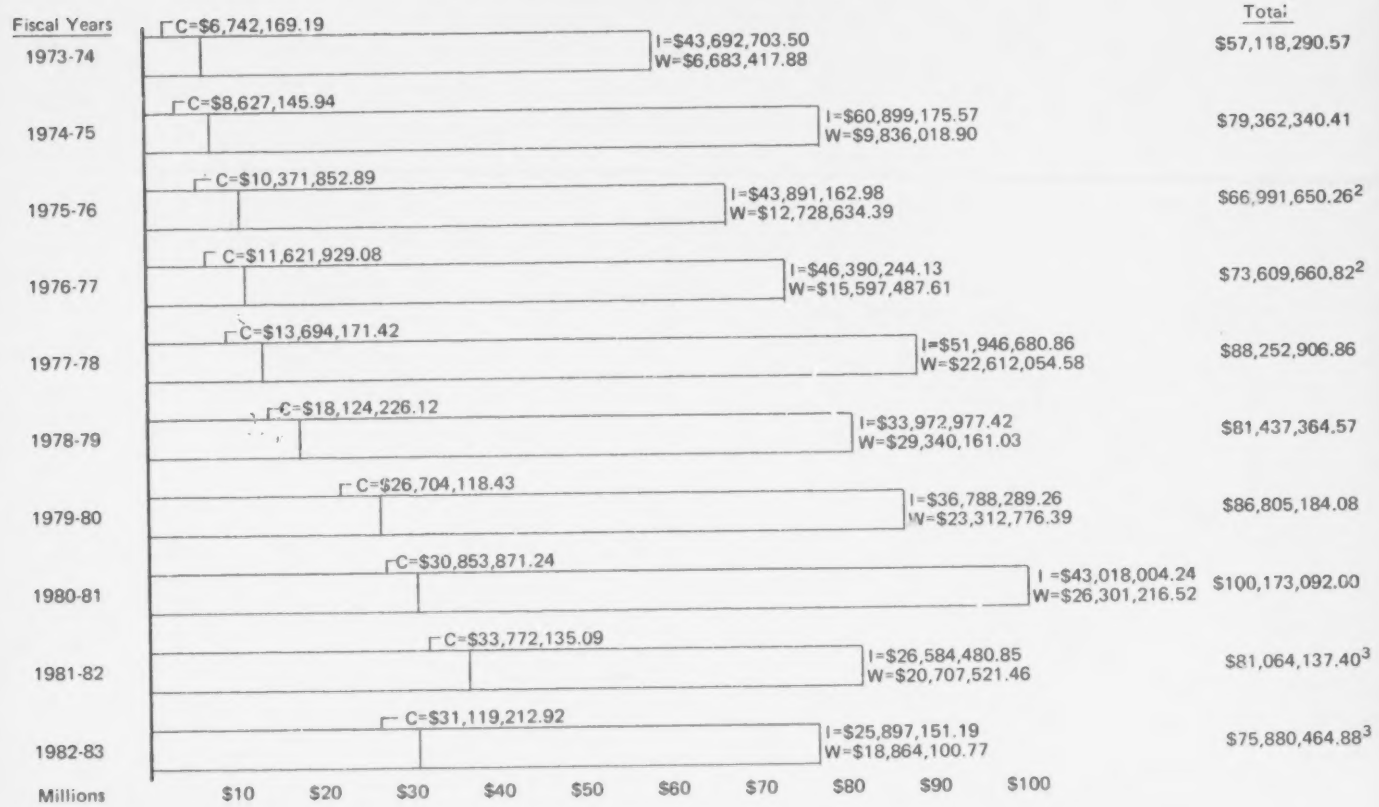
NOTE: The above figures represent sales and use tax collections associated with a general sales and use tax rate of 3% and a special tax rate of 2% on sales of farm machinery and irrigation equipment used exclusively for agricultural purposes. These rates became effective January 1, 1977, as the result of an initiated measure passed by the citizens of North Dakota. The initiated measure also eliminated the sales tax on electricity.

The sales tax is levied upon the gross receipts from retail sales of tangible personal property; furnishings or service of steam, gas and communication services; recreation and amusement receipts; magazines and periodicals; leasing or renting of hotel, motel or tourist court accommodations; leasing or renting of tangible personal property. Until July 1, 1981, North Dakota also had a sales tax on water, used mobile homes, and magazine and periodical subscriptions. The 1981 North Dakota Legislature eliminated the sales tax on these items and reduced the sales tax on new mobile homes to 2%, also effective July 1, 1981.

The use tax is imposed upon any tangible personal property purchased at retail for storage, use, or consumption in this state and not subjected to the North Dakota sales tax, unless otherwise exempt by law. Generally this tax applies on purchases of tangible personal property at retail outside North Dakota for use in this state when such purchases are made from a retailer who does not collect a sales and use tax. Under these circumstances, the purchaser must remit the use tax directly to the North Dakota Tax Commissioner.

Sales tax permit holders are categorized through the use of the Standard Industrial Classification System, generally referred to as "SIC" codes. The SIC system is used by government and business throughout the United States to facilitate record keeping and the compilation of statistics regarding business and industry.

NORTH DAKOTA STATE TAX DEPARTMENT
GROSS INCOME TAX AND SURTAX COLLECTIONS[1]
During Fiscal Years Ended June 30, 1974 to 1983



I = Individual Income Tax
W = Withholding for Individual Income Tax
C = Corporate Income Tax

[1]Vietnam Surtax collections for these years are as follows: 1973-74: I=$2,370,681.20, C=$110,084.91; 1974-75: I=$2,574,956.92, C=$128,020.24; 1975-76, I=$106,812.92, C=$69,262.06; 1976-77: I = $21,335.36, C = $4,402.80; 1977-78: I = $10,220.67, C = $3,218.40; 1978-79: I = $2,730.08, C = $2,726.43; 1979-80: I = $2,009.57, C = $1,918.86; 1980-81: I = $3,753.67, C = $1,699.46; 1981-82: I = $936.47, C = $364.07; 1982-83, I = $374.93, C = $148.74.

From January 1, 1972, to December 31, 1974, a temporary tax of 1% was imposed upon the taxable income of individuals and corporations as a Vietnam Bonus Surtax. Revenue from this tax was placed in a special fund and distributed to members of the United States armed forces. The more current surtax collection figures are a result of delinquent returns.

[2]An individual income tax inflation credit of 25% of the computed tax liability to a maximum of $100.00 was applicable to the 1976 and 1977 fiscal year collections.

[3]Beginning with form year 1981, an individual income tax short form was adopted. The filer was given an option of filing a long form (F 37) with existing rates or filing a short form (F 37-S) with a tax rate of 7.5% of the adjusted federal income tax liability. A credit of up to $100 per return was also made available on either form beginning with 1981 as a result of an initiated measure passed in 1980.

SOURCE: Comparative Statement of Collections and Reconciliation of Income Tax and Surtax Funds, North Dakota State Tax Department.

INDIVIDUAL INCOME TAX RATES

Rates Effective January 1, 1973, through December 31, 1977

Up to $1,000	Computed at 1%
$1,000 to $3,000	$ 10.00 plus 2 % of excess over $1,000
$3,000 to $5,000	$ 50.00 plus 3 % of excess over $3,000
$5,000 to $6,000	$110.00 plus 5 % of excess over $5,000
$6,000 to $8,000	$160.00 plus 7½% of excess over $6,000
Over $8,000	$310.00 plus 10 % of excess over $8,000

Rates Effective January 1, 1978

Up to $3,000	Computed at 1%
$ 3,000 to $ 5,000	$ 30.00 plus 2 % of excess over $ 3,000
$ 5,000 to $ 8,000	$ 70.00 plus 3 % of excess over $ 5,000
$ 8,000 to $12,000	$ 160.00 plus 4 % of excess over $ 8,000
$12,000 to $30,000	$ 320.00 plus 5 % of excess over $12,000
Over $30,000	$1,220.00 plus 7½% of excess over $30,000

CORPORATE INCOME TAX RATES

Rates Effective January 1, 1969, through December 31, 1977

Up to $3,000	Computed at 3%
$3,000 to $ 8,000	$ 90.00 plus 4% of excess over $ 3,000
$8,000 to $15,000	$290.00 plus 5% of excess over $ 8,000
Over $15,000	$640.00 plus 6% of excess over $15,000

Rates Effective January 1, 1978

Up to $3,000	Computed at 3%
$ 3,000 to $ 8,000	$ 90.00 plus 4 % of excess over $ 3,000
$ 8,000 to $15,000	$ 290.00 plus 5 % of excess over $ 8,000
$15,000 to $25,000	$ 640.00 plus 6 % of excess over $15,000
Over $25,000	$1,240.00 plus 8½% of excess over $25,000

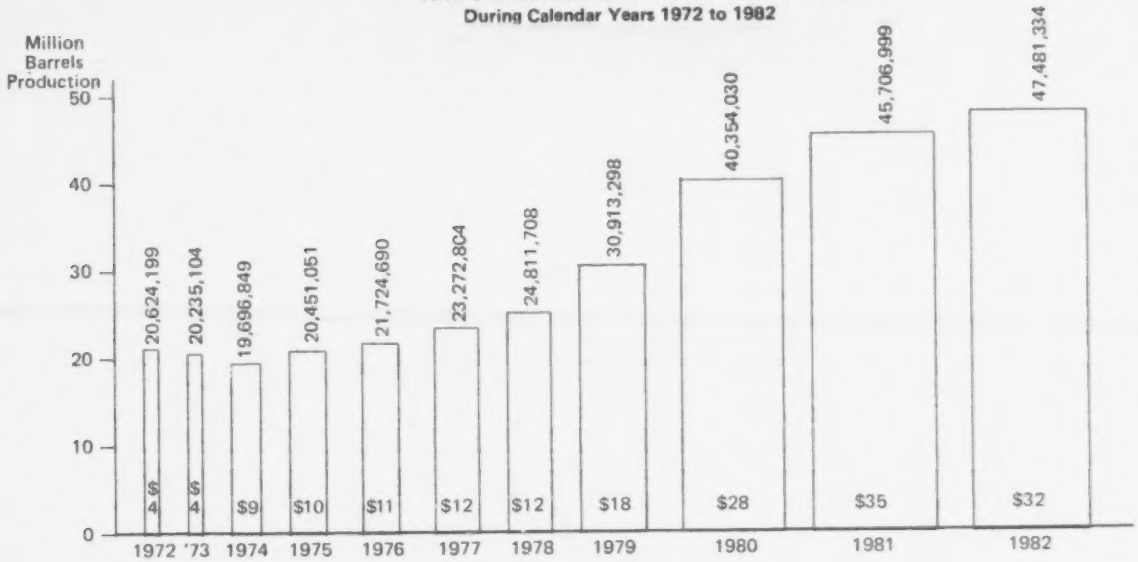
Rates Effective January 1, 1981

Up to $3,000	Computed at 2%
$ 3,000 to $ 8,000	$ 60.00 plus 3% of excess over $ 3,000
$ 8,000 to $20,000	$ 210.00 plus 4% of excess over $ 8,000
$20,000 to $30,000	$ 690.00 plus 5% of excess over $20,000
$30,000 to $50,000	$1,190.00 plus 6% of excess over $30,000
Over $50,000	$2,390.00 plus 7% of excess over $50,000

NORTH DAKOTA STATE TAX DEPARTMENT

ANNUAL CRUDE OIL PRODUCTION IN NORTH DAKOTA AND DOMESTIC OIL PRICE PER BARREL*

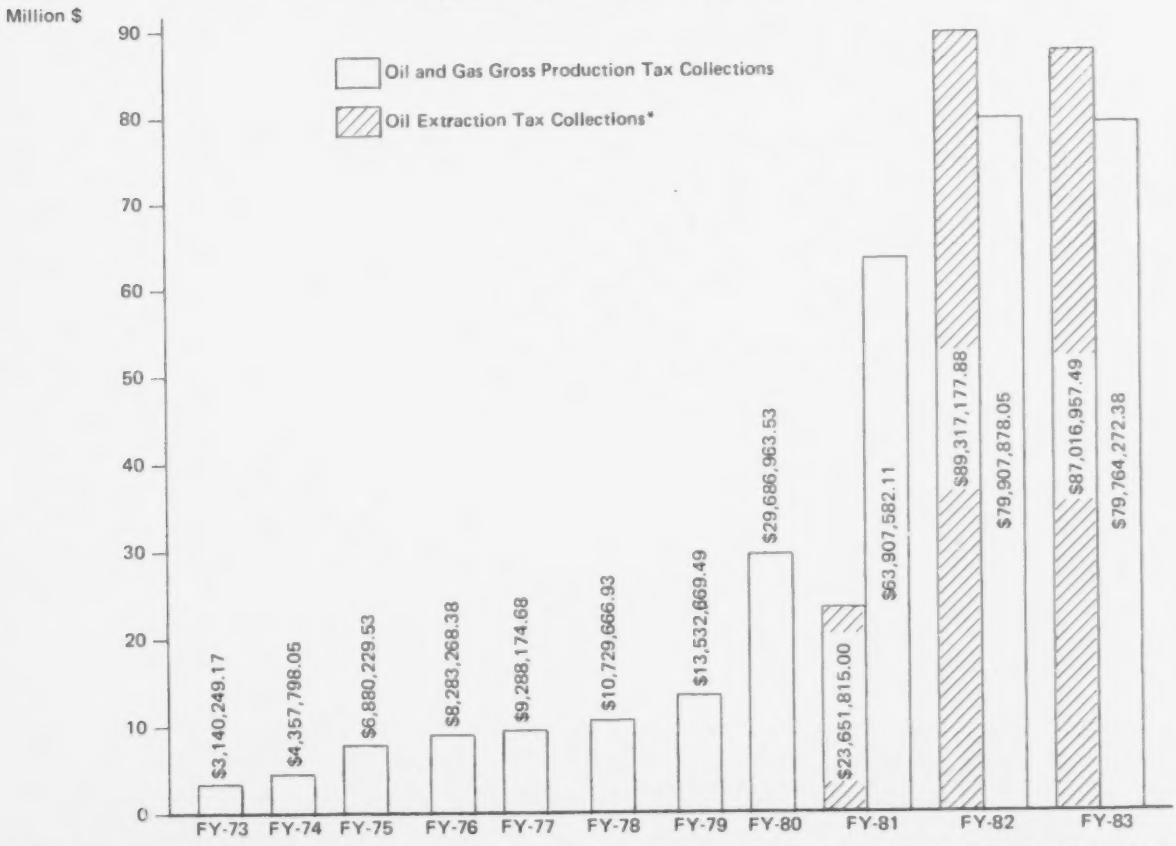
During Calendar Years 1972 to 1982



SOURCE: North Dakota Industrial Commission, Oil and Gas Division.
*Price used is the National Refiner Acquisition Cost

OIL AND GAS GROSS PRODUCTION AND OIL EXTRACTION TAX GROSS COLLECTIONS

During Fiscal Years Ending June 30, 1973, to 1983



SOURCE: North Dakota State Tax Department Biennial Reports, Gross Monthly Collections by Tax Commissioner and Comparative Statement of Collections.

*The oil extraction tax became effective January 1, 1981, as the result of an initiated measure passed by the citizens of North Dakota in November, 1980. The oil extraction tax rate is 6½% of the gross value at the well of oil extracted in North Dakota. The value of oil produced from a stripper well property (an average daily production of 10 barrels per well or less) is exempt from the tax, as is the royalty owners interest in the first 100 barrels of average daily production per well. Oil extraction tax collections for FY-1981 as shown above are taxes levied in January, February and March, 1981, and collected in the following quarter. Those revenues were distributed 45% to the State School Aid Program, 10% to a trust fund and 45% to the State General Fund. The 1981 Legislature changed the distribution formula so that the oil extraction tax for the 1981-83 biennium would be allocated 60% to the State School Aid Program, 10% to the Resources Trust Fund, and 30% to the State General Fund.

NORTH DAKOTA STATE TAX DEPARTMENT
NET OIL AND GAS GROSS PRODUCTION TAX REVENUE DISTRIBUTIONS
1981 - 1983 BIENNIUM

	FY 1982				FY 1983			
		DISTRIBUTIONS				DISTRIBUTIONS		
		Four-Fifths Share of Total		One-Fifth Share of Total		Four-Fifths Share of Total		One-Fifth Share of Total
County	Total	State General Fund	County	State General Fund and Road Funds	Total	State General Fund	County	State General Fund and Road Funds
Billings	$33,157,044.64	$21,478,394.24	$ 5,047,241.49	$ 6,631,408.91	$29,245,828.37	$19,561,954.20	$ 3,834,708.49	$ 5,849,165.68
Bottineau	4,142,072.65	1,735,243.58	1,578,414.53	828,414.54	3,337,097.20	1,252,258.34	1,417,419.44	667,419.42
Bowman	2,478,527.05	879,401.88	1,103,419.75	495,705.42	2,156,053.34	611,537.65	1,113,305.04	431,210.65
Burke	1,509,936.16	467,477.54	740,471.39	301,987.23	2,529,264.23	728,940.97	1,294,470.41	505,852.85
Divide	792,648.50	210,573.48	423,545.33	158,529.69	777,238.02	155,883.05	465,907.36	155,447.61
Dunn	5,265,016.61	2,409,009.97	1,803,003.32	1,053,003.32	6,625,419.11	3,225,251.48	2,075,083.81	1,325,083.82
Golden Valley	966,887.15	287,373.29	486,136.45	193,377.41	973,801.81	191,351.96	587,689.50	194,760.35
Hettinger	64,483.96	12,896.80	38,690.36	12,896.80	40,368.88	8,073.79	24,221.31	8,073.78
McHenry	29,612.93	5,922.58	17,767.77	5,922.58	24,196.11	4,839.23	14,517.65	4,839.23
McKenzie	17,773,026.98	9,913,816.21	4,304,605.39	3,554,605.38	20,227,318.75	11,505,830.84	4,676,024.18	4,045,463.73
Mercer	8,592.39	1,718.49	5,155.42	1,718.48	1,556.59	311.32	933.95	311.32
Mountrail	767,375.19	246,433.15	367,466.99	153,475.05	601,806.86	115,478.28	365,967.21	120,361.37
Renville	2,470,791.71	864,893.56	1,111,739.81	494,158.34	1,902,073.25	510,823.70	1,010,834.90	380,414.65
Slope	57,855.92	11,571.19	34,713.53	11,571.20	103,249.35	20,649.87	61,949.61	20,649.87
Stark	1,933,935.77	633,222.55	913,926.08	386,787.14	2,522,731.97	759,099.32	1,259,086.24	504,546.41
Ward	190,397.50	44,926.22	107,391.78	38,079.50	109,071.86	21,814.40	65,443.09	21,814.37
Williams	8,564,790.82	4,387,693.37	2,464,139.29	1,712,958.16	8,273,767.41	4,215,441.59	2,403,572.34	1,654,753.48
Penalty/Interest	56,895.52	56,895.52	0.00	0.00	416,311.43	416,311.43	C.00	0.00
TOTAL DISTRIBUTIONS	$80,229,891.45	$43,647,463.62	$20,547,828.68	$16,034,599.15	$79,867,154.54	$43,305,851.42	$20,671,134.53	$15,890,168.59

SOURCE: Collection data from Tax Department Records and distribution data from State Treasurer's Office.

NOTE: The figures represent actual revenue distributions which are calculated from gross fiscal year collections less the June 30 fund balance of the current fiscal year plus the June 30 fund balance of the preceding fiscal year less all refunds for the fiscal year.

Oil and Gas Gross Production Tax

The gross value of oil or gas production at the well, less any part which is specifically exempt, is taxed at a rate of 5% in lieu of property taxes on the well. During the 1981-83 biennium, the tax was remitted to the Tax Commissioner on a quarterly basis by the purchaser or producer.

Four-fifths of the oil and gas gross production tax revenue is distributed between the county in which the oil or gas is produced and the State General Fund according to a distribution schedule that varies with the level of production in a county. For the 1981-83 biennium:

The first $1 million each year is distributed 75% to the county and 25% to the General Fund; the second $1 million, 50% to the county, 50% to the General Fund; amounts over $2 million, 25% to the county, 75% to the General Fund. However, the amount that any one county can receive will be limited according to population as follows: Up to 3,000, no more than $3.2 million in FY 1982 and $3.8 million in FY 1983; between 3,000 and 6,000, no more than $3.5 million in FY 1982 and $4.0 million in FY 1983; 6,000 or greater, no more than $4 million in FY 1982 and $4.5 million in FY 1983. Within the county, the allocation will be 45% to the county general fund, 35% to the school districts within the county, and 20% to the incorporated cities, beginning in the 1981-83 biennium.

Of the remaining one-fifth share of the gross production tax revenue, an amount not to exceed $32 million is distributed to the highway tax distribution fund and the township road and bridge fund for the 1981-83 biennium. All of the one-fifth share of the oil and gas gross production taxes levied after June 30, 1983, shall be placed in the State General Fund.

NORTH DAKOTA STATE TAX DEPARTMENT
COAL CONVERSION FACILITIES TAX 1981-83 BIENNIUM

KILOWATT HOURS*

	FOR QUARTER YEAR PERIOD ENDING					FOR QUARTER YEAR PERIOD ENDING				
	June 30, 1981	Sept. 30, 1981	Dec. 31, 1981	Mar. 31, 1982	Total FY-82	June 30, 1982	Sept. 30, 1982	Dec. 31, 1982	Mar. 31, 1983	Total FY-83
McLean	735,806,000	935,291,000	1,215,348,000	1,585,591,000	4,472,036,000	1,389,541,000	1,090,818,000	1,366,975,000	1,281,345,000	5,128,679,000
Mercer	1,541,144,334	1,333,650,442	1,709,169,513	1,717,811,601	6,301,775,890	1,019,570,185	1,515,041,182	1,793,603,229	1,849,431,603	6,177,646,199
Oliver	921,041,000	1,015,034,000	1,012,104,000	940,711,000	3,888,890,000	758,997,000	1,084,658,000	653,157,000	1,008,629,000	3,505,441,000
Total	3,197,991,334	3,283,975,442	3,936,621,513	4,244,113,601	14,662,701,890	3,168,108,185	3,690,517,182	3,813,735,229	4,139,405,603	14,811,766,199
Tax rate on which collections were based	.25 mill	.25 mill	.25 mill	.25 mill		.25 mill	.25 mill	.25 mill	.25 mill	

COLLECTIONS

	FOR QUARTER YEAR PERIOD ENDING					FOR QUARTER YEAR PERIOD ENDING				
	Sept. 30, 1981	Dec. 31, 1981	Mar. 31, 1982	June 30, 1982	Total FY-82	Sept. 30, 1982	Dec. 31, 1982	Mar. 31, 1983	June 30, 1983	Total FY-83
McLean	$183,951.50	$233,822.75	$303,837.00	$ 396,397.75	$1,118,009.00	$347,385.25	$272,704.50	$341,743.75	$ 320,336.25	$1,282,169.75
Mercer	385,286.08	333,412.61	427,292.38	429,452.90	1,575,443.97	254,892.55	378,760.30	448,400.81	462,357.90	1,544,411.56
Oliver	230,260.25	253,758.50	253,026.00	235,177.75	972,222.50	189,749.25	271,164.50	163,289.25	252,157.25	876,360.25
Total	$799,497.83	$820,993.86	$984,155.38	$1,061,028.40	$3,665,675.47	$792,027.05	$922,629.30	$953,433.81	$1,034,851.40	$3,702,941.56

DISTRIBUTION OF COLLECTIONS

McLean	$ 64,383.02	$ 81,837.96	$106,342.95	$ 138,739.21	$ 391,303.14	$121,584.83	$ 95,446.57	$119,610.31	$ 112,117.68	$ 448,759.39
Mercer	134,850.12	116,694.40	149,552.31	150,308.50	551,405.33	89,212.39	132,566.09	156,940.27	161,825.25	540,544.00
Oliver	80,591.08	88,815.47	88,559.10	82,312.21	340,277.86	66,412.23	94,907.57	57,151.23	88,255.03	306,726.06
Total Counties (35%)	279,824.22	287,347.83	344,454.36	371,359.92	1,282,986.33	277,209.45	322,920.23	333,701.81	362,197.96	1,296,029.45
State General Fund (65%)	519,673.61	533,646.03	639,701.02	689,668.48	2,382,689.14	514,817.60	599,709.07	619,732.00	672,653.44	2,406,912.11
TOTAL REVENUES DISTRIBUTED (100%)	$799,497.83	$820,993.86	$984,155.38	$1,061,028.40	$3,665,675.47	$792,027.05	$922,629.30	$953,433.81	$1,034,851.40	$3,702,941.56

SOURCE: Production and collections data from Tax Department records. Distribution data from State Treasurer's Office.

*Production is shown in period in which it actually occurs. That production is reported to the Tax Department in the quarter following the period of production. Hence, collections for the quarter ending June 30, for example, are based on production for the quarter ending March 31.

Coal Conversion Facilities Tax

Electrical generating plants which use coal and have a single generating unit with the capacity of 120,000 kilowatts or more were taxed at the rate of 0.25 mill per kilowatt hour of electricity produced for sale. This tax, which we call a privilege tax on coal conversion facilities, is in lieu of all ad valorem taxes except on land. Other energy installations which are subject to the coal conversion facilities tax include coal gasification plants and coal liquification plants which use or are designed to use over 500,000 tons of coal per year. These types of energy plants pay a tax of 2½% of the annual gross receipts or, in the case of coal gasification plants 10¢ per 1000 cubic feet of gas produced for sale, whichever is greater. This tax was applicable only to electrical generating plants in the 1981-83 Biennium.

For the 1981-83 Biennium, 65% of the revenue was deposited in the State General Fund, and 35% of the revenue was allocated back to the county in which the coal conversion facility was located. The monies received by the counties were distributed 30% to the incorporated cities on the basis of the most recent census, 30% to the school district within the county on the basis of average daily membership and 40% to the county general fund.

NORTH DAKOTA STATE TAX DEPARTMENT
COAL SEVERANCE TAX
1981-83 BIENNIUM

TAXABLE TONNAGES

	FOR QUARTER YEAR PERIOD ENDING					FOR QUARTER YEAR PERIOD ENDING				
	June 30, 1981	Sept. 30, 1981	Dec. 31, 1981*	Mar. 31, 1982*	Total FY-82	June 30, 1982	Sept. 30, 1982	Dec. 31, 1982*	Mar. 31, 1983	Total FY-83
Adams	2,461.81	29,407.18	5,102.08	0.00	36,971.07	0.00	0.00	0.00	0.00	0.00
Bowman	640,834.00	619,414.00	605,747.50	591,075.75	2,457,071.25	470,526.50	461,484.50	579,471.50	418,213.00	1,929,695.50
Burke	12,978.00	49,648.00	162,811.00	134,141.00	359,578.00	1,588.00	29,865.00	104,771.00	52,463.00	188,687.00
Grant	2,012.00	1,676.00	1,489.00	819.00	5,996.00	572.00	1,769.00	257.00	57.00	2,655.00
McLean	1,009,230.00	988,029.00	1,006,143.00	1,047,268.00	4,050,670.00	1,422,024.00	1,413,963.00	1,266,238.00	1,131,718.00	5,233,943.00
Mercer	1,159,948.47	747,766.60	858,252.66	731,443.05	3,497,410.78	579,437.79	626,338.45	676,842.11	530,651.23	2,413,269.58
Oliver	1,421,844.13	1,877,794.55	1,902,209.94	1,735,240.27	6,937,088.89	1,390,110.14	1,890,537.42	1,995,525.28	2,134,124.04	7,410,296.88
Stark	45,180.00	20,385.00	49,540.00	49,200.00	164,305.00	54,195.00	62,320.00	50,125.00	43,980.00	210,620.00
Ward	5,561.00	4,815.00	30,274.00	69,555.00	110,205.00	20,395.00	37,236.00	74,069.00	58,376.00	190,076.00
Williams	5,925.00	5,500.00	1,787.50	0.00	13,212.50	8,964.00	12,089.00	9,241.00	0.00	30,294.00
Total	4,305,974.41	4,344,435.33	4,623,356.68	4,358,742.07	17,632,508.49	3,947,812.43	4,535,602.37	4,756,539.89	4,369,582.27	17,609,536.96
Tax rate per ton on which collections were based	.96	1.00	1.00	1.00		1.00	1.01	1.01	1.01	

COLLECTIONS

	Sept. 30, 1981	Dec. 31, 1981	Mar. 31, 1982	June 30, 1982	Total FY-82	Sept. 30, 1982	Dec. 31, 1982	Mar. 31, 1983	June 30, 1983*	Total FY-83
Adams	$ 2,363.34	$ 29,407.18	$ 5,102.08	$ 0.00	$ 36,872.60	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Bowman	615,200.64	619,414.00	605,747.50	591,075.75	2,431,437.89	470,526.50	466,099.35	585,266.22	422,395.13	1,944,287.20
Burke	12,458.88	49,648.00	162,811.00	134,141.00	359,058.88	1,588.00	30,163.65	105,818.71	52,987.63	190,557.99
Grant	1,931.52	1,676.00	1,489.00	819.00	5,915.52	572.00	1,786.69	259.57	57.57	2,675.83
McLean	968,860.80	988,029.00	1,006,143.00	1,047,268.00	4,010,300.80	1,422,024.00	1,428,102.63	1,278,900.38	1,143,035.18	5,272,062.19
Mercer	1,113,550.53	747,766.60	858,252.66	731,443.05	3,451,012.84	579,437.79	632,601.83	683,610.53	535,957.74	2,431,607.89
Oliver	1,364,970.36	1,877,794.55	1,902,209.94	1,735,240.27	6,880,215.12	1,390,110.14	1,909,442.79	2,015,480.53	2,155,465.28	7,470,498.74
Stark	43,372.80	20,385.00	49,540.00	49,200.00	162,497.80	54,195.00	62,943.20	50,626.25	44,419.80	212,184.25
Ward	5,338.56	4,815.00	30,274.00	69,555.00	109,982.56	20,395.00	37,608.36	74,809.69	58,959.76	191,772.81
Williams	5,688.00	5,500.00	1,787.50	0.00	12,975.50	8,964.00	12,209.89	9,333.41	0.00	30,507.30
Total	$4,133,735.43	$4,344,435.33	$4,623,356.68	$4,358,742.07	$17,460,269.51	$3,947,812.43	$4,580,958.39	$4,804,105.29	$4,413,278.09	$17,746,154.20

SOURCE: Production and Collection data from Tax Department records.

TOTAL DISTRIBUTION OF COLLECTIONS

Adams	$ 472.67	$ 5,881.44	$ 1,020.42	$ 0.00	$ 7,374.53	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Bowman	123,040.13	123,882.80	121,149.49	118,215.15	486,287.57	94,105.29	93,219.87	117,053.24	84,479.02	388,857.42
Burke	2,491.78	9,929.60	32,562.20	26,828.20	71,811.78	317.60	6,032.72	21,163.74	10,597.53	38,111.59
Grant	386.30	335.20	297.80	163.80	1,183.10	114.40	357.34	51.91	11.51	535.16
McLean	193,772.16	197,605.80	201,228.60	209,453.60	802,060.16	284,404.80	285,620.53	255,780.08	228,607.04	1,054,412.45
Mercer	222,710.10	149,553.32	171,650.53	146,288.60	690,202.55	115,887.55	126,520.37	136,722.10	107,191.55	486,321.57
Oliver	272,994.07	375,558.91	380,441.99	347,048.06	1,376,043.03	278,022.03	381,888.55	403,096.10	431,093.06	1,494,099.74
Stark	8,674.56	4,077.00	9,908.00	9,840.00	32,499.56	10,839.00	12,588.64	10,125.24	8,883.96	42,436.84
Ward	1,067.71	963.00	6,054.80	13,911.00	21,996.51	4,079.00	7,521.67	14,961.94	11,791.95	38,354.56
Williams	1,137.60	1,100.00	357.49	0.00	2,595.09	1,792.80	2,441.98	1,866.69	0.00	6,101.47
Total Counties (20%)	$ 826,747.08	$ 868,887.07	$ 924,671.32	$ 871,748.41	$ 3,492,053.88	$ 789,562.47	$ 916,191.67	$ 960,821.04	$ 882,655.62	$ 3,549,230.80
Impact Office (35%)	$1,446,807.41	$1,520,552.36	$1,618,174.85	$1,525,559.72	$ 6,111,094.34	$1,381,734.36	$1,603,335.44	$1,681,436.86	$1,544,647.34	$ 6,211,154.00
Land Board (15%)	$ 620,060.31	$ 651,665.30	$ 693,503.51	$ 653,811.31	$ 2,619,040.43	$ 529,171.87	$ 687,143.74	$ 720,615.80	$ 661,991.71	$ 2,661,923.12
State General Fund (30%)	$1,240,120.63	$1,303,330.60	$1,387,007.00	$1,307,622.63	$ 5,238,080.86	$1,184,343.73	$1,374,287.54	$1,441,231.59	$1,323,983.42	$ 5,323,846.28
TOTAL REVENUES DISTRIBUTED (100%)	$4,133,735.43	$4,344,435.33	$4,623,356.68	$4,358,742.07	$17,460,269.51	$3,947,812.43	$4,580,958.39	$4,804,105.29	$4,413,278.09	$17,746,154.20

SOURCE: State Tax Department records and State Treasurer's Office.

(See narrative explanation on following page)

*A total of 4,116.00 of nontaxable tons were improperly reported as taxable for the quarter ending December 31, 1981; 5,313.50 for quarter ending March 31, 1982; and 4,410.00 for quarter ending December 31, 1982. The total dollar amount overpaid for the three quarters was $13,883.60. That amount was deducted from tax payment for quarter ending June 30, 1983.

NORTH DAKOTA STATE TAX DEPARTMENT
COAL SEVERANCE TAX

The Coal Severance Tax was enacted by the 1975 North Dakota Legislature. This tax is applied to coal severed from the ground on a rate per ton basis. The 1975 law provided for a 50¢ per ton tax with an escalator clause that increased the tax 1¢ per ton for each 3-point increase in the Wholesale Price Index. The 1975 law was made effective July 1, 1975.

The revenues collected during the 1975-77 Biennium were distributed according to the following formula:

1. 35% to a special fund to be granted by the Impact Office to impacted political subdivisions.
2. 30% to a special trust fund to be administered by the State Land Board.
3. 5% to coal-producing counties.
4. 30% to the State General Fund.

The 1975 law was replaced with the 1977 law, changing the rate and the distribution formula. The 1977 law, effective July 1, 1977, provided for a 65¢ per ton tax with an escalator clause that increased the tax 1¢ per ton on a quarterly basis for every one point increase in the Wholesale Price Index.

The 1977 law also changed the distribution of revenues to the following:

1. 35% is allocated to a special fund to be granted by the Impact Office to impacted political subdivisions.
2. 15% is allocated to a special trust fund to be administered by the State Land Board.
3. 20% is allocated to coal-producing counties.
4. 30% is allocated to the State General Fund.

The 1977 law was replaced with the 1979 law. The 1979 law, effective July 1, 1979, provides for an 85¢ per ton tax with an escalator that will increase the tax 1¢ per ton on a semi-annual basis for every four point increase in the Wholesale Price Index (now known as the Producer Price Index). The distribution of revenues remains the same.

The 1981 Legislature exempted from the coal severance tax coal used by the state or any of its political subdivisions and coal used for heating buildings within the state. However, coal used for heating purposes is subject to the sales tax.

	FY-82	FY-83
Nontaxable Tonnages Reported	189,771	251,380

TRANSMISSION LINE TAX COLLECTIONS

	1979-81 Biennium		1981-83 Biennium	
	FY-80	FY-81	FY-82	FY-83
Transmission Line Tax	$245,129.00	$306,013.50	$322,204.50	$322,062.75

Collections represent payments made by cooperatives that owned or operated electrical transmission lines of 230 kilovolts or larger. They were taxed at the rate of $225.00 per mile.

SOURCE: Property Tax Division, N.D. State Tax Department.

RURAL ELECTRIC COOPERATIVES AND MUTUAL AND COOPERATIVE TELEPHONE COMPANIES

Rural electric cooperatives are nonprofit cooperative corporations engaged in the distribution or transmission of electric energy primarily for consumption in rural areas. Rural electric cooperatives also include those nonprofit cooperative corporations engaged in the generation of electric energy primarily for consumption in rural areas. The electrical energy generating units of such plants are under 100,000 kilowatts of generating capacity. Such plants are taxable pursuant to Chapter 57-33, N.D.C.C.

Rural electric cooperatives are taxed at 1% of their gross receipts each year for the first 5 years and 2% each year thereafter in lieu of taxes on all property except land. The tax of each rural electric cooperative is certified by the Tax Commissioner to the counties for collection and is allocated by the county auditor to the taxing district in which the rural electric line or plant, as the case may be, is located.

Mutual and cooperative telephone companies are taxed at a graduated rate. The tax of each company is certified by the Tax Commissioner to the counties and apportioned to the school districts in which its telephones are located.

TAXES CERTIFIED TO COUNTIES FOR COLLECTION FOR THE YEARS OF:*

	1979	1980	1981	1982
Rural Electric Cooperative	$1,597,668.35	$1,950,651.63	$2,312,017.25	$2,766,087.10
Mutual & Co-op Telephone Co.	305,925.91	334,225.74	372,761.03	440,087.83

*These taxes are certified in the fall of the indicated years and payable in the following year.

SOURCE: Property Tax Division, N. D. State Tax Department.

NORTH DAKOTA STATE TAX DEPARTMENT
SPECIAL FUELS TAX AND MOTOR VEHICLE FUEL TAX
COLLECTIONS, GALLONAGE AND DISBURSEMENTS

1981-83 Biennium

	FY-82	FY-83
SPECIAL FUELS TAX COLLECTIONS		
Special Fuels Tax (8¢)	$ 8,733,060.67	$ 8,447,835.89
Special Fuels Tax (4¢)	413.04	1,722.42
Special Fuels Excise Tax (2%)	7,638,319.19	6,324,924.49
Special Fuels License Fees Collected	8,414.38	23,829.81
Penalty & Interest Collected	10,302.55	10,596.54
Total Collections	$16,390,509.83	$14,808,909.15
Net Refunds Paid	830,507.17	699,779.16
Net Special Fuels Tax & Fees	$15,560,002.66	$14,109,129.99
GALLONAGE – SPECIAL FUELS		
Gallons on Which 8¢ Tax Was Paid	107,457,667	105,622,032
Gallons on Which 4¢ Tax Was Paid	11,200	40,277
Gallons on Which 2% Tax Was Paid	403,073,043	354,171,187
Gallons on Which Tax Was Refunded	14,201,764	13,934,048
Total Net Gallons on Which 2%, 4¢ or 8¢ Tax Was Paid	496,340,146	445,899,448
SPECIAL FUELS TAX DISBURSEMENTS		
Earmarked for Refund	$ 775,000.00	$ 775,000.00
Highway Distribution Fund – 2%, 4¢ or 8¢ Tax	15,151,468.55	13,663,749.15
Aeronautics Construction Fund – 4% of Jet Fuel	457,340.99	353,106.67
Township Road and Bridge Fund	6,700.29	17,053.33
Total Disbursements	$16,390,509.83	$14,808,909.15
MOTOR VEHICLE FUEL TAX COLLECTIONS		
Motor Vehicle Fuel Tax – (8¢)	$29,505,550.72	$30,107,829.41
Gasohol Tax – (4¢)	350,725.01	193,212.14
1/8¢ Tax on Tax Assigned Gallons (Alcohol Fund)	22,568.90	19,845.95
1¢ Tax on Tax Assigned Gallons (Township Fund)	145,901.44	148,858.33
Penalty & Interest Collected	13,988.12	13,031.06
Total Collections	$30,038,734.19	$30,482,776.89
Net Refunds Paid	3,254,053.93	2,758,050.52
Net Motor Vehicle Fuel Tax	$26,784,680.26	$27,724,726.37
GALLONAGE – MOTOR VEHICLE FUEL		
Gallons on Which 8¢ Tax Was Paid	376,361,814	383,769,691
Gallons on Which 4¢ Tax Was Paid	8,946,823	4,919,733
Gallons on Which Tax Was Refunded	44,866,171	40,256,860
Total Net Gallons on Which Tax Was Paid	340,442,466	348,432,564
MOTOR VEHICLE FUEL TAX DISBURSEMENTS		
Earmarked for Operating	$ 294,000.00	$ 294,000.00
Earmarked for Refunds	3,277,373.76	2,800,000.00
Alcohol Commission Fund (1/8¢)	96,873.65	69,139.59
Township Road & Bridge Fund (1¢)	296,661.16	483,055.17
Highway Distribution Fund (8¢ and 4¢)	25,834,004.68	26,613,061.24
Aeronautics Commission Special (8¢ – Aviation Gas)	149,099.57	79,234.50
Aeronautics Commission Construction Fund – 4% of Aviation Gas	90,721.37	144,286.39
Total Disbursements	$30,038,734.19	$30,482,776.89

Special Fuels and Motor Vehicle Fuel Taxes

A tax is levied on the sale or delivery to a user of all special fuels except those used for heating, agricultural, railroad purposes, or for industrial purposes other than public funded projects. The tax rate was 8¢ per gallon during the 1981-83 biennium. The tax is refundable when used for nonhighway purposes. A tax of 2% is levied on the sale of all special fuels which is exempt from the per gallon tax. The 2% tax is not refundable.

Motor fuel (gasoline and aviation gas) sold to persons other than licensed dealers is taxed at a rate, effective for the 1981-83 biennium, of 8¢ per gallon. This tax is refundable when the fuel is used for agricultural or industrial purposes other than public funded projects. Gasohol is subject to a per gallon tax of 4¢, effective for the biennium, which is refundable when used for agricultural purposes.

Effective July 1, 1979, a 1/8¢ per gallon tax was levied on all tax refundable fuel and increased to ½¢ on January 1, 1983. The ½¢ also applies to tax assigned fuel purchases during the period April 1 through September 30. The ½¢ tax is earmarked for an agricultural alcohol commission to promote agriculturally derived alcohol blended motor fuels. Also, effective for purchases made during the 1981-83 biennium, an additional 1¢ per gallon tax was levied on all tax refundable fuels, except aviation fuels, for distribution to township road and bridge fund.

The motor fuel and special fuels taxes are administered by the Tax Commissioner and turned over to the State Treasurer for distribution. A small part of the fuel tax collections is set aside to pay for administration of the tax and to allow for refunds, and the remainder is transferred to the State Treasurer who deposits the money in the Highway Tax Distribution Fund which is distributed in a manner as prescribed by law.

NORTH DAKOTA STATE TAX DEPARTMENT
BANKS AND BUILDING AND LOAN ASSOCIATIONS

Banks and building and loan associations are taxed at 5% of their net income for the preceding year in lieu of all taxes except motor vehicle fuel and special fuel taxes, sales and use taxes, including motor vehicle excise taxes, and taxes upon real and personal property.[1] The tax of each bank and building and loan association is certified by the Tax Commissioner to the counties for collection and is apportioned to the state, county and local taxing districts in which the bank or building and loan association is located.

TAXES CERTIFIED TO COUNTIES FOR COLLECTION IN YEARS:[2]

	1977	1978	1979	1980	1981
Banks	$2,237,518.76	$1,951,102.00	$2,733,414.68	$3,241,720.31	$3,282,848.65
Building & Loan Associations	490,229.16	528,561.10	558,956.41	43,630.00	2,833.20

[1]There is an additional 2% business privilege tax on net income. The revenue from this tax is placed in the State General Fund. Revenue from this tax is not included in the above figures.

[2]Example: Taxes certified to the counties in 1977 are based upon 1976 net income of the banks and B.L.A. They are required to remit to the counties by December 31 of the certification year. The same dates apply to other years as well.

SOURCE: Income Tax Division, N. D. State Tax Department.

BUSINESS AND CORPORATION PRIVILEGE TAX COLLECTIONS

1979-81 Biennium		1981-83 Biennium	
FY-80	FY-81	FY-82	FY-83
$10,597,342.39	$11,449,831.75	$6,062,458.37	$1,968,952.94

Each individual, estate, trust, corporation or partnership doing business in North Dakota was subject to a privilege tax of 1% upon net income in excess of $2,000.00 derived from the operation of any business or any trade or profession in North Dakota. There is no minimum tax. Banks and Building and Loan Associations are required to pay a 2% business privilege tax. Revenues are placed in the State General Fund. Effective January 1, 1981, the 1% privilege tax has been repealed.

SOURCE: Comparative Statement of Collections, N. D. State Tax Department.

CIGARETTE AND TOBACCO PRODUCTS TAX COLLECTIONS

	1979-81 Biennium		1981-83 Biennium	
	FY-80	FY-81	FY-82	FY-83
3¢ per package cigarette tax distributed to cities on population basis	$2,343,100.75	$2,370,835.17	$2,360,090.97	$2,258,061.02
9¢/15¢ per package cigarette tax distributed to State General Fund*	7,051,686.22	7,112,505.09	7,080,272.09	7,930,364.05
11% of the wholesale price of tobacco products distributed to State General Fund	215,150.40	241,339.28	283,585.55	304,214.19

*The cigarette tax was increased effective July 1, 1979, raising the State General Fund tax from 8¢ to 9¢ per package and increased again effective April 1, 1983, raising the State General Fund tax from 9¢ to 15¢ per package. Also, for the sale of larger size cigarette packages the city/state general fund cigarette tax breakdown is as follows: City 3¾¢ and state general fund 18¾¢. The first collections received from the sale of larger size cigarette packages was in the month of June, 1983.

SOURCE: Comparative Statement of Collections, N. D. State Tax Department.

AIRLINE AND CAR LINE TAXES

Operating properties of air transportation companies are assessed by the State Board of Equalization with taxes computed by the Tax Commissioner and certified to the State Treasurer for collection. The State also assessed car line companies, but because of federal court decisions, the personal property of car line companies can no longer be assessed by the State of North Dakota. The taxes upon car line companies were deposited in the State General Fund. The taxes upon air transportation companies are allocated by the State Treasurer to the city or municipal airport authority where such company makes regularly scheduled landings according to the ratio that the annual gross landing weight of the company for such city or municipal airport authority bears to the total annual gross landing weight of the company for all cities of municipal airport authorities where it makes regularly scheduled landings; these taxes are to be used exclusively for airport purposes.

TAXES CERTIFIED TO STATE TREASURER FOR THE YEARS OF:*

	1979	1980	1981	1982
Airlines	$485,695.62	$ 552,095.27	$512,679.44	$350,962.06
Car Lines	713,743.29	1,085,517.77	None	None

*Car line assessments were set by the State Board in August. The tax amounts were computed in the spring of the following year using the statewide average mill levy for the year of the assessment.

Example: Assessed value set in August, 1979, was multiplied by 50 percent (for the taxable value) and by the statewide average mill levy for 1979.

The amount of tax was certified to the State Treasurer by March 31 of the year following the assessment (in the above example, March 31, 1980). The taxes were payable to the State Treasurer by April 15 of the same year (delinquent May 1). Money was deposited in the State General Fund.

Airline taxes are handled the same way except that the mill rate used is the average mill rate for cities with an airport. In accordance with the statutory change of 1981, the assessed value is multiplied by a statutory percent for the taxable value (14% for 1981 and 10% for 1982) and by the average mill rate for cities with an airport. Taxes are allocated to the airports on the basis of gross landing weight.

SOURCE: Property Tax Division, N. D. State Tax Department.

NORTH DAKOTA STATE TAX DEPARTMENT
ESTATE TAXES ASSESSED*
1981-83 Biennium

	FY-1982			FY-1983		
	TAX (Chapter 57-37)	TAX (Chapter 57-37.1)	TOTAL TAX State & County**	TAX (Chapter 57-37)	TAX (Chapter 57-37.1)	TOTAL TAX State & County**
Adams	$ 0.00	$ 14,933.90	$ 14,933.90	$ 0.00	$ 16,052.81	$ 16,052.81
Barnes	120.00	100,393.21	100,513.21	0.00	70,431.32	70,431.32
Benson	316.21	47,005.34	47,321.55	0.00	16,554.53	16,554.53
Billings	503.51	907.82	1,411.33	0.00	0.00	0.00
Bottineau	23.99	28,820.45	28,844.44	29.11	57,666.64	57,695.75
Bowman	11.72	7,590.97	7,602.69	0.00	53,295.42	53,295.42
Burke	0.00	9,590.33	9,590.33	26.75	31,820.64	31,847.39
Burleigh	4.53	80,971.02	80,975.55	1.79	64,063.00	64,064.79
Cass	1,408.59	232,043.83	233,452.42	15,252.00	266,867.04	282,119.04
Cavalier	1,674.00	67,652.86	69,326.86	1,369.30	22,075.56	23,444.86
Dickey	0.00	25,650.85	25,650.85	0.00	43,032.27	43,032.27
Divide	91.19	72,767.57	72,858.76	23.90	7,283.96	7,307.86
Dunn	1.56	1,496.68	1,498.24	945.13	9,123.01	10,068.14
Eddy	0.00	34,063.89	34,063.89	0.00	6,527.10	6,527.10
Emmons	76.53	6,091.77	6,168.30	0.00	10,015.78	10,015.78
Foster	0.00	17,790.55	17,790.55	0.00	11,936.15	11,936.15
Golden Valley	55.88	769.89	825.77	1.60	27,041.60	27,043.20
Grand Forks	473.25	174,443.34	174,916.59	798.50	187,941.58	188,740.08
Grant	0.00	3,779.42	3,779.42	133.00	18,535.45	18,668.45
Griggs	0.00	6,392.45	6,392.45	277.00	7,155.78	7,432.78
Hettinger	6.00	14,908.62	14,914.62	0.00	50,844.77	50,844.77
Kidder	15.72	14,454.06	14,469.78	0.00	1,536.00	1,536.00
LaMoure	0.00	15,516.48	15,516.48	0.00	14,569.45	14,569.45
Logan	0.00	6,846.90	6,846.90	0.00	7,544.49	7,544.49
McHenry	0.00	9,470.93	9,470.93	0.00	94,891.67	94,891.67
McIntosh	0.00	10,581.68	10,581.68	1,200.40	5,957.06	7,157.46
McKenzie	299.39	26,774.23	27,073.62	50.42	35,843.37	35,893.79
McLean	54.48	16,571.97	16,626.45	172.52	26,513.52	26,686.04
Mercer	0.00	6,750.84	6,750.84	22.08	14,890.41	14,912.49
Morton	13.68	19,054.09	19,067.77	0.00	532.11	532.11
Mountrail	868.86	12,330.17	13,199.03	423.96	16,898.78	17,322.74
Nelson	0.00	35,122.25	35,122.25	15,963.24	19,367.24	35,330.48
Oliver	0.00	63.99	63.99	0.00	301.33	301.33
Pembina	299.64	48,726.75	49,026.39	309.54	40,172.34	40,481.88
Pierce	0.00	19,941.15	19,941.15	0.00	2,000.32	2,000.32
Ramsey	0.00	238,089.93	238,089.93	0.00	98,200.21	98,200.21
Ransom	0.00	15,612.47	15,612.47	0.00	27,982.04	27,982.04
Renville	17.94	3,824.38	3,842.32	0.00	8,605.94	8,605.94
Richland	209.99	148,524.99	148,734.98	20.61	56,779.20	56,799.81
Rolette	0.00	32,196.21	32,196.21	0.00	20,323.75	20,323.75
Sargent	0.00	25,670.59	25,670.59	394.24	11,723.00	12,117.24
Sheridan	105.00	4,185.41	4,290.41	0.00	6,054.09	6,054.09
Sioux	109.60	159.10	268.70	0.00	1,998.00	1,998.00
Slope	23.00	7,311.40	7,334.40	0.00	18,686.58	18,686.58
Stark	39.95	50,502.82	50,542.77	145.72	46,062.93	46,208.65
Steele	0.00	40,900.46	40,900.46	526.40	35,321.19	35,847.59
Stutsman	0.00	77,434.98	77,434.98	0.00	61,906.57	61,906.57
Towner	4,868.73	26,874.07	31,742.80	638.01	43,604.44	44,242.45
Traill	218.90	61,246.91	61,465.81	154.33	78,372.05	78,526.38
Walsh	164.08	154,688.28	154,852.36	0.00	127,046.06	127,046.06
Ward	549.24	154,858.84	155,408.08	258.04	194,000.38	194,258.42
Wells	62.04	22,348.14	22,410.18	66.40	37,914.60	37,981.00
Williams	168.19	114,392.37	114,560.56	1,692.05	174,042.31	175,734.36
Miscellaneous	176.92	325,129.33	325,306.25	0.00	84,535.45	84,535.45
TOTAL TAX	$13,032.31	$2,694,220.93	$2,707,253.24	$40,896.04	$2,392,441.29	$2,433,337.33

*The above schedule indicates only the amount of estate taxes determined in the respective counties and does not reflect any subsequent proration between other counties or municipalities.

**Chapter 57-37 distributes 65% to county and 35% to state. Chapter 57-37.1 distributes 100% to county and cities in the county.

SOURCE: Estate Tax Section – TX-3030 Records, N.D. State Tax Department.

Estate Tax

Property transferred at death, during lifetime in contemplation of death, or in a manner intended to take effect at death is subject to the estate tax. North Dakota does not have a separate gift tax law. The estate tax is administered by the State Tax Commissioner and is imposed on the full and fair market value of the estate less exemptions and deductions. It is not imposed on the individual beneficiary.

Effective for deaths occurring on or after January 1, 1977, North Dakota adopted the provisions of the Federal Tax Reform Act of 1976. In place of the unified credit, North Dakota adopted a $200,000 exemption and a separate rate schedule.

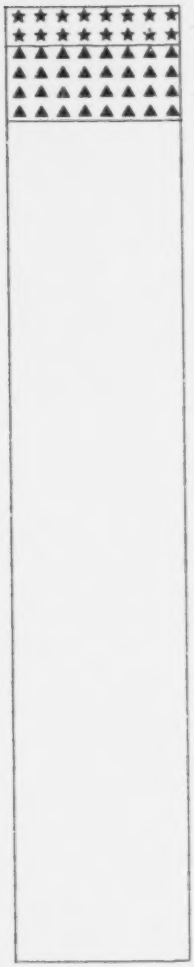
Effective March 16, 1979, the rate of the estate tax shall equal the maximum federal estate tax credit for state death taxes.

Estate tax provisions of the 1981 Economic Recovery Tax Act were adopted by the state effective January 1, 1982.

NORTH DAKOTA STATE TAX DEPARTMENT

WHERE GENERAL AD VALOREM PROPERTY TAXES,
SPECIAL PROPERTY TAXES AND SPECIAL ASSESSMENTS COME FROM

(Levied in 1982 – Payable in 1983)



SPECIAL PROPERTY TAXES (3.08% of Total)

Telephone (Mutual & Rural)	$ 440,087.83
Mobile Home	1,674,036.33
REA Co-ops	2,766,087.10
Bank	3,273,552.65
Building and Loan Associations	2,717.85
Woodland	11,439.26
Total	$ 8,167,921.02

UTILITIES (5.93% of Total)

Railroads	$ 1,003,276.25
Telephone	6,123,712.92
Telegraph	28,945.26
Electric, Gas, Water & Heat	5,174,628.74
Pipe Lines	3,173,160.76
Tax Increments	211,681.35
Total	$ 15,715,405.28

REAL ESTATE (90.99%)

Rural	$ 93,282,483.69
City	147,965,615.73
Total	$241,248,099.42

GRAND TOTAL (100%) $265,131,425.72

*Includes all special assessments.

SOURCE: 1983 Statistical Report, 1982 Property Taxes Levied, 1983 Property valuation, N. D. State Tax Department.

Property Tax

Real property owned by a corporation, partnership, individual, estate or trust is subject to a tax based on its valuation. The property tax, except the tax on the operating property of railroads and other utilities, is assessed and administered locally. The property tax is collected and distributed by the county to the county, cities, townships, school districts, and other taxing districts. The North Dakota Century Code has provided that assessments be at true and full value and that assessed value be computed at 50% of true and full value. Also, true and full value of agricultural property will now be based upon productivity. Beginning with taxes levied in 1982 (payable in 1983) and thereafter, the assessed value will be 50% of true and full value and taxable value will be a percentage of assessed value according to the percentages established by the Legislature for the various classes of property as follows: residential property at 9%, commercial, railroad and airline property at 10%, agricultural property at 10%, and centrally assessed property other than railroad and airline property at 13% in 1982, 12% in 1983, 11% in 1984 and 10% thereafter.

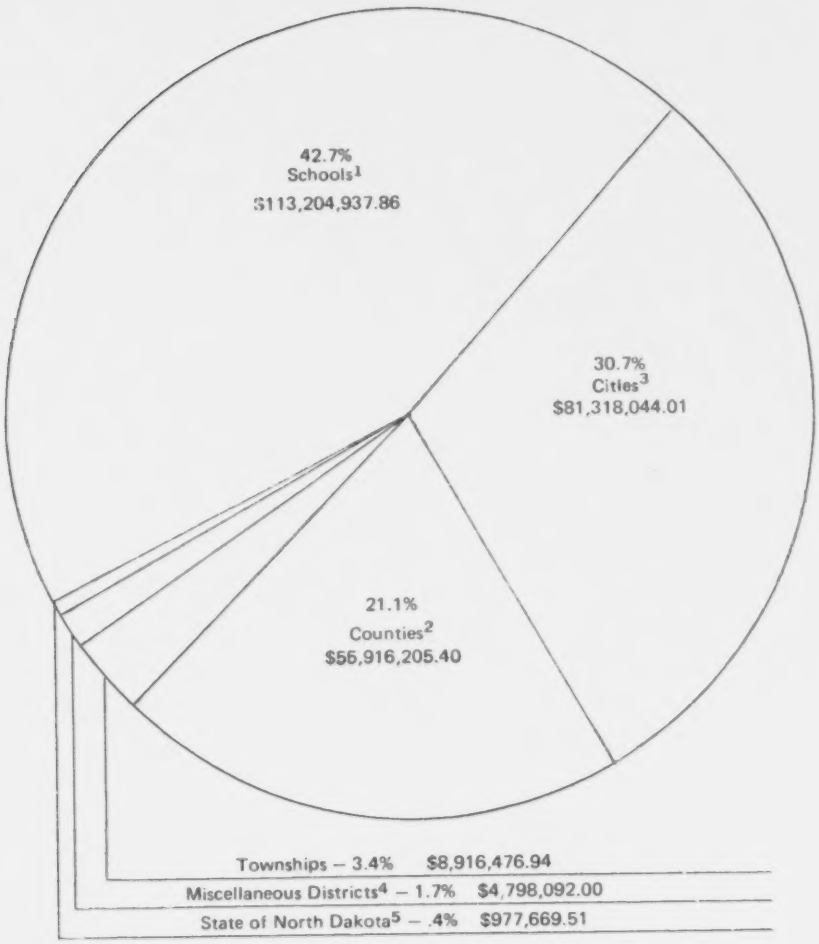
Taxes on personal property, except those properties assessed by the State Board of Equalization were exempted by the 1969 and the 1981 Legislatures. For taxes levied in 1981 and thereafter, only the personal property assessed by the State Board of Equalization will be subject to property taxes.

The assessed valuation of railroad and public utility property is centrally determined by the State Board of Equalization. Taxable valuation of railroad and utility property is a percentage of assessed value according to the percentages established by the 1981 Legislature. Mutual or cooperative telephone companies and rural electric cooperatives are subject to a gross receipts tax.

Also instead of a property tax, large electrical generating plants are subject to a tax on electricity produced for sale either through a gross receipts tax or a per kilowatt hour tax. Large transmission lines are taxed on a per mile basis. The taxes on electrical production, gross receipts from electricity production, or large transmission lines are not included in the above.

NORTH DAKOTA STATE TAX DEPARTMENT
WHERE GENERAL AD VALOREM PROPERTY TAXES, SPECIAL PROPERTY TAXES AND SPECIAL ASSESSMENTS GO

(Levied in 1982 – Payable in 1983)



GRAND TOTAL – $265,131,425.72

[1]Including County Special Education Fund. The 1981 Legislature eliminated the county equalization fund for taxes levied in 1981 and thereafter.

[2]Including County Park Districts and Vector Control Districts.

[3]Including City Park Districts and Special Assessments.

[4]Garrison Diversion, Water Management Districts, Rural Fire Districts, and All Special Assessments for Rural Districts.

[5]Constitutional one mill levy for the medical center at the University of North Dakota.

SOURCE: 1983 Statistical Report, 1982 Property Taxes Levied, 1983 Property Valuation, N.D. State Tax Department.

NORTH DAKOTA STATE TAX DEPARTMENT

PROPERTY TAX INFORMATION

SENIOR CITIZENS AND DISABLED PERSONS PROPERTY TAX REFUNDS AND CREDITS

Year	Number of Persons Receiving Renter's Refunds	Number of Homeowner's Credits	Homeowner Taxable Value of Property Exempted
1970		4,872	$ 1,588,651
1971		5,463	1,788,326
1972		5,435	1,775,409
1973		5,073	1,623,247
1974	297	5,050	2,148,286
1975	458	5,545	2,948,809
1976	553	6,199	3,039,030
1977	1,380	8,765	5,570,440
1978	2,270	9,851	6,347,442
1979	2,572	10,529	6,569,192
1980	2,590	10,633	7,625,711
1981	2,635	10,158	7,868,922
1982	2,664	9,435	7,156,134

In 1969, the North Dakota Legislature enacted a real estate tax credit for senior citizen homeowners with a total annual income of $3,000 or less. In 1973, the Legislature extended the provisions of the credit to include senior citizen renters and raised the maximum income eligibility limit to $3,500. Totally and permanently disabled persons regardless of age who are homeowners or renters were added to the program in 1975. Additional adjustments to the maximum income eligibility limit have been made by the Legislature as follows: 1975 to $5,000, 1977 to $8,000, 1979 to $9,000, and 1981 to $10,000. To be eligible, the senior citizen must be 65 years of age or older in the year the tax was levied or the rent was paid.

The credit for eligible homeowners is a reduction in the taxable value of the homestead as determined by the following schedule:

For Taxes Levied in 1981 and 1982 (Payable in 1982 and 1983)

Income of	Reduction	Maximum Reduction
$ 0 - $ 5,500	100%	$2,000
$5,501 - $ 6,500	80%	1,600
$6,501 - $ 7,500	60%	1,200
$7,501 - $ 8,500	40%	800
$8,501 - $10,000	20%	400

Eligible renters will receive a refund for overpayment of rent when 20% of their total annual rent exceeds 4% of their total annual income. Charges for such services as heat, lights and furniture must be excluded when determining the annual rent payment for the purposes of renter's refund. The maximum refund allowable to a renter is $190.

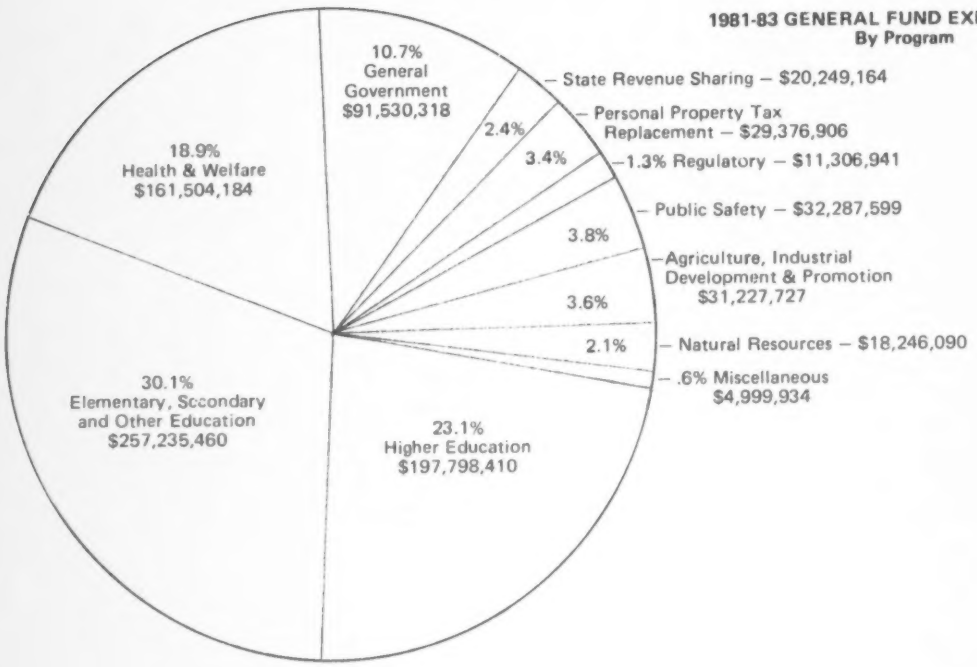
STATE GENERAL FUND REVENUES AND EXPENDITURES

1981-83 Biennium

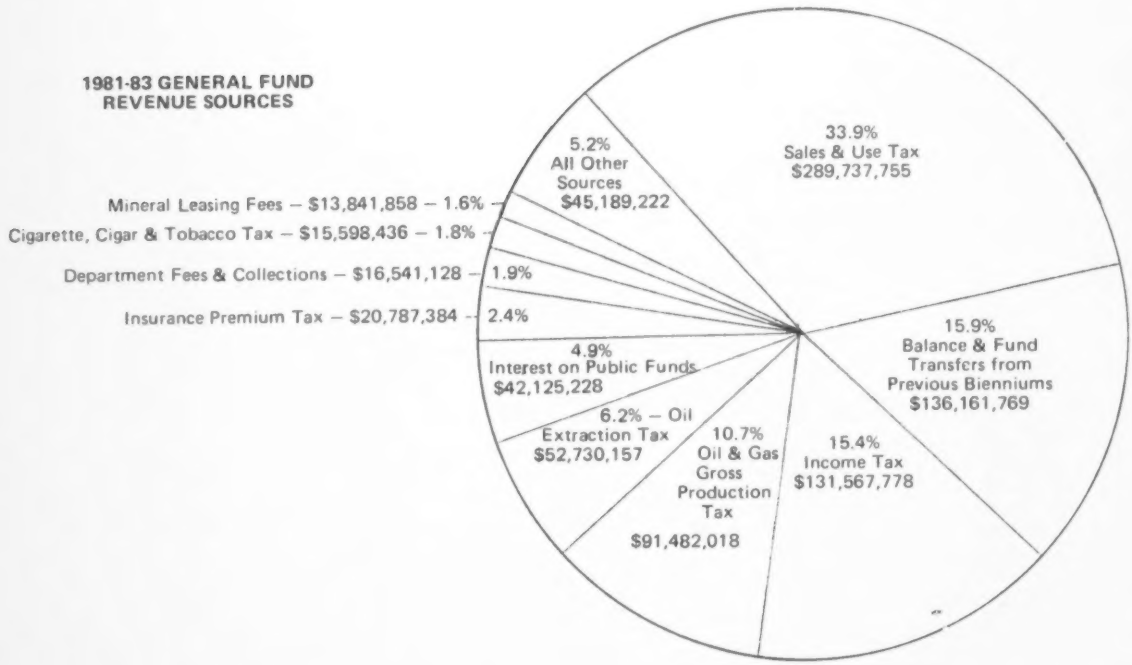
Total General Fund – $855,762,733

$1,311 Per Capita – 1980 Census

1981-83 GENERAL FUND EXPENDITURES
By Program



1981-83 GENERAL FUND REVENUE SOURCES



SOURCE: Report on the status of the General Fund at the close of the 1981-83 Biennium, Office of Management and Budget, September 1, 1983.

NORTH DAKOTA STATE TAX DEPARTMENT
STATEMENT OF EXPENDITURES
1981-83 Biennium

	Commissioner's Division	Legal Division	Controller's Division	Sales & Special Taxes Division	Income Tax Division	Property & Utility Taxes Division	Homestead Credit Administration	Multistate Tax Commission	State Board of Equalization	Total
Salaries and Wages										
FY-82	$ 465,908.74	$179,292.71	$ 542,676.53	$ 692,618.99	$ 588,334.33	$128,611.68	$3,853.71	$ 0.00	$ 3,843.59	$2,605,140.28
FY-83	467,895.32	198,429.92	558,633.96	740,335.16	676,865.49	134,098.62	4,283.23	0.00	12,418.24	2,792,959.94
Fees and Services										
FY-82	37,113.66	9,565.86	180,024.90	73,637.87	104,245.06	7,339.35	1,200.00	49,550.00	12,096.04	474,772.74
FY-83	33,317.77	10,169.97	188,833.42	63,875.07	99,963.90	6,704.91	1,400.00	50.141.00	1,138.70	455,544.74
Supplies and Materials										
FY-82	7,102.45	4,617.05	40,821.38	11,063.60	73,660.44	4,961.49	2,110.00	0.00	0.00	144,336.41
FY-83	10,282.25	4,853.17	36,405.31	27,071.28	86,087.09	6,176.50	519.00	0.00	597.50	171,992.10
Equipment										
FY-82	1,219.94	0.00	10,244.18	947.93	1,642.68	0.00	0.00	0.00	0.00	14,054.73
FY-83	230.75	0.00	80.00	(230.75)	15,108.76	0.00	0.00	0.00	0.00	15,188.76
Data Processing										
FY-82	467,300.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	467,300.47
FY-83	487,295.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	487,295.53
Microfilming										
FY-82	0.00	0.00	3,338.41	0.00	0.00	0.00	0.00	0.00	0.00	3,338.41
FY-83	0.00	0.00	1,485.53	0.00	0.00	0.00	0.00	0.00	0.00	1,485.53
Total										
FY-82	$ 978,645.26	$193,475.62	$ 777,105.40	$ 778,268.39	$ 767,882.51	$140,912.52	$ 7,163.71	$49,550.00	$15,939.63	$3,708,943.04
FY-83	$ 999,021.62	$213,453.06	$ 785,438.22	$ 831,050.76	$ 878,025.24	$146,980.03	$ 6,202.23	$50,141.00	$14,154.44	$3,924,466.60
TOTAL 81-83	$1,977,666.88	$406,928.68	$1,562,543.62	$1,609,319.15	$1,645,907.75	$287,892.55	$13,365.94	$99,691.00	$30,094.07	$7,633,409.64

SOURCE: Comparative Statement of Disbursements for fiscal years ending June 30, 1982, and June 30, 1983, Controller's Division, North Dakota State Tax Department.

RESOURCES AVAILABLE FROM THE NORTH DAKOTA STATE TAX DEPARTMENT

COMMISSIONER'S DIVISION

Biennial Report of the Tax Commissioner
Special Reports and Analyses on North Dakota's Tax Structure
North Dakota: Where Taxes Work for People
State and Local Taxes in North Dakota: A Comparative Guide

INCOME TAX DIVISION

Business and Corporation Privilege Tax Rules and Regulations
Income Tax Law, Rules and Regulations
Guidelines
Practitioners' Newsletter
Nonresident Withholding Tables for Income Tax
Withholding Information for Employers

PROPERTY TAX DIVISION

Property Tax Statistical Report
Proceedings of the State Board of Equalization
Assessors' Manual
Property Taxation Manual
Property Tax Credit for Senior Citizens or Disabled Persons Brochure
Property Tax Exemption for Improvements to Residential or Commercial Buildings or Structures Brochure
Geothermal, Solar, or Wind Energy Devices Brochure
North Dakota New Industry Tax Exemptions Brochure

SALES AND SPECIAL TAXES DIVISION

Sales and Use Tax Law, Rules and Regulations
Estate Tax Law, Rules and Regulations
Motor Vehicle Fuel Tax Law, Rules and Regulations
Guidelines
Motor Vehicle Fuel Tax Newsletter
Sales and Use Tax Quarterly Newsletter
Sales and Use Tax Statistical Report

For a copy of these materials or any current North Dakota tax forms or booklets, write: North Dakota Tax Department, State Capitol, Bismarck, ND 58505.

The Tax Department also provides a statewide, toll-free telephone number (1-800-472-2110) which taxpayers may use to obtain assistance in filing taxes or to obtain answers to tax questions.